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EDITORIAL

As We See It

"No great loss without some small gain"—or at least that is the tenor of an old, old adage. When one takes a look at the headlines today with their almost complete occupation with the Middle East and their lack of attention to anti-recession programs, one is inclined to believe that there may be some truth in the old saying. How often of late has there been a further repetition of the demand for sweeping tax reductions in the name of the full employment act? There is about the same disappearance of demands for various make-work projects. Various other New Dealish proposals, too, have not been often heard of late. Even the burlesque in which Mr. Goldfine was the central figure has been pushed into the background. For all this we all may be duly thankful.

But before we indulge in a great deal of self-gratulation, we should be wise to look about us at what is actually going on—much of it not very different from what a good many were advocating as a cure for the recession. There is, first of all, the budget situation. A deficit of $10 billion or more is now being mentioned frequently, and the Administration is urgently asking for a "permanent" increase in the debt limit of some such amount, and it is being predicted that it will be back again for a still greater limit. The size of the deficit that is building up is in part, of course, a result of reduced revenues stemming from the recession itself. It has often appeared that the powers that be had assumed that the boom and

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American Wage System: Its Effect Upon Economy

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

The instrumental role of wages in personal income's stabilizing steadiness during the recession prompts Dr. Slichter to examine and explain the American wage system which, he finds, causes rising wages in the face of falling labor demand and creeping inflation in good times. Finds the latter is more than compensated by its tendency to limit the drop in spending and employment during a mild recession. The well-known labor economist credits personal income's performance for saving us from grave hardship by offsetting marked retrenchment reaction of businessmen to this recession and, at the other extreme, the government's minimum policy of action.

1. Business and Government's Attitude Toward Recession

The most conspicuous characteristic of the economy during the recession has been the steadiness of personal income. As a result of the stability of personal income, the recession saw scarcely any drop in the total volume of personal consumption expenditures—though there was an appreciable drop in the buying of many kinds of consumer durable goods.

Sumner H. Slichter

But in the first quarter of 1958, which, in accordance with my predictions last winter, is turning out to be the low quarter of the recession, personal consumption outlays were only 7/10ths of 1% below the all-time high of the third quarter of 1958. And by the second quarter of 1958 personal consumption expenditures had risen to only a shade below peak of the third quarter of last year.

In spite of the steadiness of personal income and personal consumption expenditures, many businessmen

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*An address by Dr. Slichter before the Economics-in-Action Group at the University of Wisconsin, July 1, 1958. In several instances later data than July 1 have been substituted by the author.

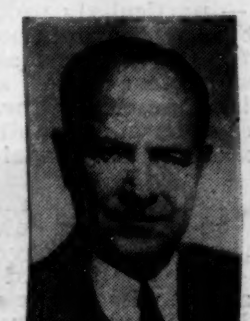
The Business Outlook

By WILLIAM A. McDONNELL*

Chairman of the Board, First National Bank in St. Louis
President, Chamber of Commerce of the United States

St. Louis banker and nation's business spokesman weighs the variegated economic trends and concludes that, with most of the trends becoming favorable and along with anticipated increasing government expenditures, there should be a net expansion in the economy after the summer doldrums have been torn off the calendar. Referring to agricultural sector, Mr. McDonnell attributes part of farm problem to past governmental mistakes and declares an extensive revision of the government's role in agriculture is urgently required. Singles out mounting wage costs as serious problem, fears dollar depreciation with greater fiscal spending.

There is a widespread—but not universal—agreement that we have reached the bottom of the recession which began a year ago—in July 1957. If it is true that recovery is now on its way, this will have been a short and relatively mild recession. But it has been an extremely uneven economic episode. For example, we find that durable goods production has declined, but agriculture has been relatively better off than the economy as a whole, and that is something which has occurred only during one other recession in this century. In most recessions agriculture has been one of the first segments of the economy to feel the impact of hard times.



W. A. McDonnell

The present recession's limited nature and its mildness are particularly significant in light of the fact that after the recession of 1954, we experienced one of the greatest private durable consumer goods and capital goods boom in our history. We had a substantial housing boom, a boom in consumer durable goods and a boom in new

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*An address by Mr. McDonnell before the Sixth Farm Credit District, Production Credit Association, St. Louis, Mo., July 16, 1958.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

ALLAN LEVIAN
Asst. Secretary, Amott, Baker & Co., Inc.
Members New York Stock Exchange
New York City

Chanin Building (N. Y. City) Bonds and Stock

As one who has specialized in the study and sale of real estate and real estate securities for more than 25 years, it seems natural that I should select the securities of one of New York's most prominent office buildings as my subject for "The Security I Like Best."

Real estate securities have been a type of investment media generally overlooked by most investors. Nevertheless, these investments have produced some of the largest profits ever realized for those who have been fortunate enough to buy into this class of securities during the past 10 to 15 years. While these profits have been substantial, there remain a number of individual situations of investment quality which continue to offer opportunities for large capital gain. One such situation, in my opinion, is the Chanin Building.

Good income producing real estate — particularly property that has been well maintained, is well located and under lease to responsible tenants, of strong financial character—affords a high degree of earnings stability and is an excellent hedge against inflation. Generally, the earnings of such property is not affected by the frequent ups and downs of the business cycle. Moreover, in recent years this type of property has, almost without exception, enjoyed a substantial appreciation in value due to its high rate of occupancy and the continued strong demand for its space.

As regards the location of the subject property it may be noted that the structure is situated in the heart of the Grand Central District, one of the most valuable and important office building areas in the city. On each of the adjacent 42nd Street corners are the well-known Hotel Commodore, Chrysler Building and the very recently built Socony Mobil Building. Next to the Hotel Commodore stands the Grand Central Terminal of the New York Central and New Haven railroads. A few blocks distant are the United Nations Building, Tudor City, the world famous Rockefeller Center development and virtually all of the city's leading hotels, including the renowned Waldorf-Astoria. In addition, many of the city's modern office buildings built during the past decade are located nearby along Park, Madison and Fifth Avenues. The famous Fifth Avenue shopping district is also within the immediate area. The all-important post-war construction in the area has attracted many new and prominent business firms to the district and developed substantially increased renting activity for the better buildings in the vicinity, including the Chanin Building.

Present capitalization of the Chanin Building consists of a first mortgage bond issue of $1,899,000 (held by Metropolitan Life), a second mortgage bond issue of $2,068,600, a third mortgage bond issue of $2,422,500 and 387,850 shares of capital stock. The existing debt of $6,390,100 compares with an original debt of $14,500,000 which comprised $6,500,000 of publicly held first mortgage bonds, $3,000,000 of publicly held second mortgage bonds, and $5,000,000 of publicly held third mortgage bonds. The land under the building is held under long-term lease at a present annual rental of $300,000. The net rentable area of the building is 635,000 square feet which is presently rented at an average rental of about $5.35 per square foot. Considering the high rental value of the street level and tower space, the present average rental is indeed moderate and should improve as present leases are renewed or new tenants added.

Attached to each publicly held $1,000 second mortgage bond are 20 shares of the capital stock and to each $1,000 third mortgage bond 32 shares of the capital stock. As a consequence, 118,892 of the 387,850 shares outstanding are presently physically attached to the publicly held bonds (detachable when the bonds are retired by sinking fund or otherwise redeemed). Of the remaining 268,958 shares some 200,000 or more, are held by management or interests identified with management.

In the fiscal year ended July 31, 1957, there was available after operating charges, ground rent, real estate and income taxes, $731,818 for interest and retirement of mortgage debt. After interest, approximately $567,000 remained for debt retirement of which $311,762.50 was applied to the reduction of the first mortgage and the balance as a sinking fund for the second mortgage bonds. No dividends are payable on the capital stock so long as any of the publicly held second or third mortgage bonds are outstanding. Over the past 12 months the second mortgage bonds, ex stock, have been bought in for the sinking fund at an average price of about 75, thereby resulting in more than $600,000 of total debt being paid off in the past year. With earnings increasing a somewhat larger percentage of the debt should be paid off in the next 12 months. It might be worth mentioning at this point that a cash reserve fund of $500,000, not needed after the bonds have been paid off, is available in the event of refinancing.

In the opinion of this writer, the entire mortgage debt should be down to about $5,000,000 in the next two years and could, at such time, be economically refinanced. In that event, the holders of the second and third mortgage units would receive the full principal of their bonds and hold the stock at a cost of about $3 per share based on current prices of about $1,060 or a $1,000 second mortgage bond with 20 shares of stock and $1,090 for a $1,000 third mortgage bond with 32 shares of stock. The free stock, today, has a market value of about $17 per share. The value of the equity stock will continue to build up as the bonds are retired. Once the publicly held debt has been paid off the capital shares should be worth considerably more than the current market price. Regardless of which investment is selected a handsome profit seems inevitable to the buyer of these bonds and/or stock over the next two to three years, conceivably as much as 100% and more if the third mortgage units or common are bought and somewhat less for the more conservatively situated second mortgage units. For investors planning their security buying with the main accent on capital gain, the securities of the Chanin Building are well worth a second look.

This Week's Forum Participants and Their Selections

Chanin Bldg. (N. Y. City) Bonds and Stock — Allan Levian, Assistant Secretary, Amott, Baker & Co., Inc., New York City. (Page 2)

New Mexico & Arizona Land Co. —Victor H. Mardfin, of Halle & Stieglitz, New York City (Page 2)

VICTOR H. MARDFIN
Halle & Stieglitz
Members New York Stock Exchange
New York City

New Mexico & Arizona Land Co.

As a long-time owner of New Mexico and Arizona Land Co. stock, it is my considered opinion, this stock today offers brighter speculative possibilities than at any time in the past.

Victor H. Mardfin

In the last 10 years or so more speculative interest has developed in the stock, either in NZ (ticker symbol) or in St. Louis-San Francisco common, because of the Frisco's ownership of 500,258 shares of the 1,000,000 shares of NZ issued and outstanding. Roughly, a purchaser of Frisco common acquires one-quarter of a share of NZ for each share of Frisco.

New Mexico and Arizona Land owns seven tracts of land—four in Arizona and three in New Mexico. Latest annual report states that the company owned in fee 718,264 acres of land and "as a result of the policy of retaining mineral rights in land sold, the rights to oil, gas and minerals in 632,932 additional acres." Incidentally, since the end of 1957 the company has conveyed 96,288 acres of land *(mineral rights reserved)* in Mohave County, Ariz. (known as the "Mohave Tract") to a Trust Co. which in turn will convey parcels of land to the Western Progress Co. Under this agreement $87,000 is paid to New Mexico and Arizona Land on execution, the balance of the $300,000 sale price being payable in 10 annual instalments beginning in 1959.

New Mexico and Arizona Land issues only one annual report. President Clark Hungerford is also head of the Frisco System. One NZ director is Roger W. Babson (whose fame and success, according to himself, is due almost entirely to "Patience"). T. W. Cabeen, with headquarters in Albuquerque, N. Mex., is an NZ Vice President, and the *only* salaried officer. Mr. Cabeen, with a long record in the land-leasing field, has a reputation for his ability to write tough—"SOB"—leases.

Wrongly or rightly, the writer has continued his faith in the speculative possibilities (probabilities, too, we hope) of NZ stock because of just one paragraph which has appeared in NZ annual reports for years, to wit:

"The company's holdings, except those in the Mohave Tract, are in the physiographic province known as the Colorado Plateau. Geologists assume that such holdings are underlain by sedimentary beds correlated to geologic strata which yield hydrocarbons elsewhere in said province, and that geologic structures of techonic and erosional origin are present."

Another phase of President Hungerford's remarks in his annual reports that has impressed the

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Selecting a Growth Company

By DR. ROBERT JACQUOT LEE*
Santa Barbara, Calif., and Eminence, Mo.

A stock trader solely for his own account delves into: (1) the difficulties of defining the words, growth, and industry, in the commonly used descriptive phrase, growth industry; (2) the essential ingredients of growth; and (3) feasibility for individuals and groups within a community to provide difficult to get financing for smaller successful companies which may be the growth firms of tomorrow. Dr. Lee admonishes investors not to invest unless prepared to lose their money and are aware of risk hazards involved, and points out that individuals and groups can pursue successful community sponsorship which not only may benefit investors, but also the community and the nation. He criticizes investors who are obsessed by growth and, in holding on to their investments, wake up to find themselves with a poor investment. Truly growth firms in chemicals and electronics are shown to be mobile, with superior management, directing comprehensive research programs leading toward intelligent, planned diversification.

We all want to grow. We like growth in many different ways. We like physical growth: we want our children to grow in stature. We like spiritual growth: we want our spiritual values to expand; we want our churches to develop and aid in enriching our lives and the lives of others. We like intellectual growth: we want good schools where our children will be well educated; we want to develop our own full intellectual powers. We like economic growth: we want our business enterprises to expand; we want to ascend the promotional ladder within our business organizations. We like civic growth: we want the communities in which we live to grow and prosper.


Dr. R. Jacquot Lee

The desire for growth is a natural one: it is embedded within the laws of nature. To grow is to live; not to grow is to die. The grass and the flowers, the shrubs and the trees around us clearly show the necessity for growth. For as long as they continue to grow they are fresh and vital; as growth stops, life stops; the end of growth is but the prelude to death.

So it is that we want growth. We want to grow individually. We want to grow through our own personality, and through the groups with which we work and the community and area in which we live. Instinctively, we know that business growth and community growth are inter-related and that to have one we must have the other. We want growth communities in which to live and work and play and raise our children. To have our growth communities we know that we must have growth industries; conversely, industries—to be growth industries—must have growth communities in which to make their homes.

*An address by Dr. Lee before the State-Wide Industrial Development Conference, Jefferson City, Mo.

Defines Growth Industry

What is a growth industry? Only thirty years ago the phrase, "growth industry" was unknown. Only recently has the term been recognized or defined. Many managements refer to their organizations as "growth situations," sometimes with the hope that the expressed wish will be the father to the fact. One historian's definition of a growth industry is that it is an industry where the earnings and dividends show an average long-term growth in excess of 3% of the annual growth of our economy; that is, it is an industry that is growing faster than the gross national product. One economist's definition is that it is an industry that is considered to have an excellent prospect to earn a high return on repeated increments of new capital over and extended or indefinite period of time. One stockbroker's definition is that it is an industry that is widely regarded by investors as having growth characteristics. Simply, a growth industry is one that does better financially than most other industries; at least it has done better than most in the past; it is doing better than most in the present; it is thus assumed that it will continue to do better than most in the future.

Two of the big growth industries of today, by any definition, are the chemicals and the electronics. Chemicals and electronics—two catchall words that embrace such a complex diversity of activities and functions that they defy description. Chemicals and electronics—two industries that in the last generation have changed the face of the world.

Chemicals and Electronics

What is meant by chemicals? A few years ago when most of us thought of chemicals we probably thought of some bushy-headed, bespectacled old man in a white coat. Usually we pictured him holding a test tube of colored liquid over a Bunsen burner, with nauseous gases and vapors swirling overhead. Today we vaguely recognize that this picture is distorted, but even a professional chemist would have difficulty ex-

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Smith, Kline & French Lab., Inc. For Stockholder Tranquility

By DR. IRA U. COBLEIGH
Enterprise Economist

A distinguished ethical drug company marches forward to new products and rising profitability.

While many viewers of, and participants in, the security markets are ever on the watch for a dazzling performer—another Lukense or Lorillard — delivering a dramatic capital gain in six months and a day, probably a larger segment of investors seeks a durable and growing equity, that, like a fine brandy, is good originally and improves with age. Such a long-term equity is SKF, our topic for today.


Ira U. Cobleigh

Smith, Kline & French is the outgrowth of the early efforts of one George K. Smith, a pharmacist who opened shop in the City of Brotherly Love, 117 years ago. Since the time of this pestle-packing pioneer, the enterprise he founded has grown steadily from a small shop to a wholesale drug firm; and, during the past 30 years, it has become one of the most eminent drug manufacturing companies in the world, grossing around $120 million a year.

The rise of SKF in the past five years has been quite remarkable—from 1953 sales of $53 million to $115½ million for 1957; and from a net of $5 million in 1953 to $20½ million for 1957. To account for such a rate of expansion in profitability, let's take a look first at the product-mix.

Twenty years ago SKF was doing a big wholesale business in a broad line of drugs (some 500 items in all) many of them highly competitive and with correspondingly low profit margins. In the late 30's, however, under the presidency of Mr. C. Mahlon Kline (president from 1921-1951) a decision was made to drastically reduce the line, and to concentrate on the development and merchandising of trademarked ethical drugs, where the market would be less competitive and the profit margins more attractive. The wisdom of that policy decision is amply demonstrated by the fact that today there are only 52 products, and for 1957, net earnings were 17.8% of sales.

While many pharmaceutical companies went all out for sulpha drugs and antibiotics, SKF concentrated on therapeutics bearing upon the mental condition and central nervous system of homo sapiens. Curiously enough the principal products of SKF today are evenly balanced between stimulants and "quieters-down." SKF pioneered with Benzedrine, Dexedrine and Dexamyl — all stimulants; and later came along with Thorazine, Compazine and Dexamyl—tranquilizers of proven efficacy. Thorazine is widely prescribed for mental disorders and is the largest selling tranquilizer in American hospital use. Compazine is a milder compound and broadly effective for lessening nervous tension. These six items together, the stimulants and the tranquilizers, brought in 70% of the 1957 sales total. Thorazine, in particular, since its introduction in 1954, has been the most dramatic single stimulant of SKF profitability.

Now the capacity to bring along highly successful patented specialty drugs, such as the six above mentioned, is no matter of luck. It depends on reseach; and SKF is one of the most research-minded companies in the business. SKF spent $9.4 million on research in 1957, which amounts to 8.2% of gross. Over $10 million will be spent this year mainly in the neurological, cardiovascular and microbiological fields. Among the newer products of this lab outlay, introduced in 1957 were: Darbid, indicated for peptic ulcers, and a combination of that and Compazine called Combid (smooth the mind, and smother the ulcer); and Sul-Spantab a slowly disintegrating sulfanomide tablet. For 1958, product additions include V-Sorbin a compound to accelerate the absorption of Vitamin B-12 into the blood stream; Termaril which over two-thirds of the time will stop itching, however acquired (except perhaps the seven year variety, or itching palms!).

Merely the turning out of superior trademarked ethical drugs at the laboratory and manufacturing level is not enough, however. All these might "waste their fragrance on the desert air" if it were not for effective merchandising. In this department, too, SKF has excelled. Since doctors are the ones who prescribe drugs, SKF years ago decided to beam its sales approach heavily on the medical profession. Thirty-nine years ago the company began direct by mail cultivation of doctors; in 1948 it started color telecasts to medical conventions and these programs are believed to have reached a total audience of 400,000 doctors. Following along this line of concentrating on doctors the company is, this year, adding (and training) 200 men to its professional detail force, bringing this sales group covering the medical profession up to a total of 500. The training of this new echelon takes time and money and while this program may slightly reduce earnings this year, it should lead to expanded sales and a reservoir of executive talent in the years to come.

Financial position of the company has been consistently good. At the 1957 year end, current assets stood at $53 million offset by current liabilities of only $25 million. For 1958 capital expenditures will be around $3½ million principally for a new plant for the British subsidiary, A. J. White Co. Ltd. This outlay comes after $22 million of capital expenditures, for expanded distribution and manufacturing facilities, in the four year period ended Dec. 31, 1957. All these improvements were financed internally, and there is nothing on the horizon here to suggest any need for public financing for a long time.

Corporate practice has been to pay out annually roughly 50% of net earnings in cash dividends. In consonance with this policy, cash dividends have been increased every year in the past five: 58⅓c in 1953, 93⅓c in 1954; $1.75 in 1955; $2.00 in 1956 and $2.20 in 1957. This in itself is quite a remarkable performance, and accounts in part for the solid demand for SKF common which has carried its market price to a new high of 91, about 21 times indicated 1958 earnings in the order of $4.50 per share. There are 4,844,000 common shares outstanding (sole capitalization), listed on N. Y. S. E.

We neglected earlier to mention that SKF has a wholesale drug subsidiary doing business in an Eastern section of the U. S., and owns A. Voset Co., manufacturer of mills and cream products. These together, however, contribute probably no more than 5% of net earnings of the parent company.

There always arises, about a stock that is selling around its high, the question "Is it a buy here?" Answering such a question is always difficult and requires a considerable insulation against optimistic bias. The SKF record for financial forward motion is, however, impressive. We have noted a 120% increase in gross in 5 years and a dividend increase in each of those years. We have observed the way-above-average allocation for research, and the phenomenal sales results of new products created thereby. We have seen consistently excellent corporate management for decades, highly effective selling and a quite remarkable carry-down percentage of sales to net. All SKF has to do to continue to justify its billing as a top drawer pharmaceutical equity is to keep on developing and selling as it has in the present post. Maybe 21 times earnings is a full price at the moment, but how would you value the SKF if it were to grow as rapidly in the next five years as in the past five?

We mentioned in the title, stockholder tranquility. On the record, SKF has so provided rising earning power, market price and dividends as to make its shareholders rather poor customers for its Thorazine. You don't need Thorazine if you're contented! SKF has not missed a dividend for 35 years.

Joins Foster & Marshall

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Lunsford B. Jones has joined the staff of Foster & Marshall, Southwest Sixth Avenue at Oak Street.

Herman Raphel Opens

Herman Raphel is engaging in a securities business from offices at 2727 University Avenue.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Current worldwide unrest and the political ramifications inherent in such a state of world affairs make it imperative for those peace-loving nations that are in a position to do so, to strengthen their military defenses and at the same time to strive to bring their economies into better balance.

The Lebanon crisis has pointed up the constant threat to world peace, but hopes presently are high that the situation will be settled peaceably and that the alliance of the western nations will remain intact in the cold war.

Here in the United States during May and June some evidence of an upturn in business was evident, however slight it was. July witnessed a faltering in the trend which was attributable to seasonal factors, but now the looked for advance after September appears set to begin somewhat earlier and the feeling among businessmen is more encouraging. No doubt present world tensions calling for stepped-up government defense spending and increased military production to cope with these conditions are bound to have their effect on a nation's civilian economy.

A seasonal increase in unemployment compensation claims brought the total to 2,625,400 in the week ended July 12, the United States Department of Labor reported.

The increase of 36,500 from the week before was not as large as the usual rise at this time of the year, the agency added. In the like week of 1957, the total increased by 56,400 to 1,356,800.

Connecticut provided almost a third of the latest increase. Because of what the Labor Department called temporary plant close downs, the number drawing benefits rose by 10,400 in that state.

New claims for compensation declined by 45,000 to 351,200 in the week ended July 19. A Labor Department spokesman pointed out that the drop in new claims indicated the increase in the number drawing benefits would not last long.

The number of workers getting compensation under the special supplemental scheme rose by 80,900 to 335,100 in the week ended July 12. These are idle workers who exhausted their payments under the old program but qualified for a second round of payments through the recession measure approved by Congress. In the July 19 week, 127,400 new claims were filed under this program. The Department said 45,500 of these came from Ohio, which just came into the program.

In the steel industry the coming steel price increase may be smaller than had been expected. "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

It said this week it has learned United States Steel Corp. is considering a price advance of only $4 per ton on major steel products. Earlier indications were that the price boost would average out to about $5.50 per ton.

The $4 increase would be about two-fifths of what many steel firms believe to be justified in view of the 26c an hour employment cost boost since the first of the year, "The Iron Age" declared.

Meanwhile, the steel market has definitely turned the corner for the better. The market improvement had been apparent even before the Mideast crisis worsened. Thus far there is little so-called "scare" buying, but many steel users are quietly buttressing their inventories, just in case.

It further commented that the mills appear to be playing the price situation "by ear." There is more to the long-awaited price "clarification" than meets the eye. Steel labor costs are only one of many factors being taken into account.

The metalworking weekly reports that the largest steel producer is leaning toward a smaller price hike for the reasons that it wants to make a contribution toward the fight against inflation. Further, it is aware of customer opposition to anything more than a nominal increase under current competitive conditions, and, lastly, off-stage government and congressional pressure to hold the price line.

"The Iron Age" speculated that United States Steel could also be thinking of steel labor negotiations in 1959, when present contracts expire. A less-than-needed increase now could be used as an argument against another steel wage boost next year.

Improvement in the steel order picture has come about without too much help from the auto companies. Detroit is holding back for the most part until its gets into production with new models. But steel shipments to automotive are expected to improve gradually to a peak in late September or early October.

It reported that in the past week there has been further quickening in orders for oil country pipe and linepipe as well as an improvement in other products, including hot-rolled bars. A large linepipe order totaling 490 miles has been placed and will require about 175,000 tons of steel pipe. Other orders may be placed later for smaller-diameter gathering lines.

The upsurge in steel scrap prices is based largely on the belief of scrap people that the steel market will continue to improve. Scrap brokers and dealers are reluctant to sell significant tonnages except at higher prices.

According to the 1958 Life Insurance Fact Book, ownership of life insurance of the average American family rose 5% to $8,300 in 1957. At the start of this year, insurance covered 109,000,000 Americans with an aggregate total of $458,000,000,000. If life policies issued by fraternal and assessment groups, savings banks and the legal reserve companies raised total family ownership of life insurance to a grand total of more than $500,000,000,000 cover-

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Observations . . .

By A. WILFRED MAY

THE CAPITAL GAINS TAX IN THIS MARKET

A new legislative attack on the capital gains tax now brewing in the Congress is most timely and important. Representative Earl Wilson's H.R. 12709, introduced last May, further pushed in the House this week and due for reintroduction in the next Congress, would reduce the tax rate on long-term capital gains from the maximum of 25% to a rate of 12½%, and apply the increase in the tax-take from this source over 1957 collections, to reduction of the national debt. Representative Wilson looks for further support to a pending national survey conducted by the Institute of Economics of New York University (an institution financed by the Alfred P. Sloan Foundation and others), which is expected to show that a substantial reduction in the tax rate on long-term capital gains would actually result in a substantial gain in revenues to the Government from this tax source.

A. Wilfred May

Other supporting arguments advanced thus far by the bill's proponents include the contentions that (1) the present tax on long-term capital gains is largely a levy on capital and not on income; (2) that it sterilizes billions of risk capital, a substantial portion of which would otherwise find its way into investment in new and small businesses, thereby providing job opportunities; and (3) that it unfairly penalizes elderly owners of homes and farms who need to sell and retire into smaller quarters.

The Crucial Stock Market Impact

While these arguments are pertinent, it seems to this writer that they are now far transcended in importance by the impact of the tax on the state of the stock market. Actually, the capital gains tax constitutes a serious social abuse in distorting market movements through its insulating of prices from appraisal made according to investment value criteria. Such economic distortion is particularly striking today, at this advanced stage of a long bull market, with so many long-term investors "frozen" into their holdings because of the substantial amounts which they must pay in capital gains tax if and when they cash-in their paper profits.

The investor in arriving at a decision whether to sell a stock on which sizable unrealized appreciation has accrued, is confronted with important practical deterrents. To justify a sale realistically according to accepted investment criteria, a security must be judged as overpriced by the full amount of the tax liability attached to the sale. The extent of the overvaluation must at least equal the number of points corresponding to the tax liability (now a maximum of 25% of the profit); such overvaluation to exist either in terms of the monetary proceeds, or in relation to other available investing opportunities. Also, in the case of an investor of advanced age, the tax deters liquidation by reason of the fact that under the statute, continued holding until his death will completely free him and his estate from the punitive tax on his capital gains.

There is little doubt that if this tax should be appreciably reduced, investors free to be motivated by sound investing policies in lieu of artificial tax considerations, would rearrange their portfolios, thus ameliorating the present rigging of the market, and at the same time bringing to the Treasury additional tax revenues.

The Political Obstacles

Unfortunately, the legislative road will probably be barred to the attainment of these worthy objectives. Too many of the body politics believe, or profess to believe, that a capital gain is an ill-gotten "Wall Street profit," with the rich recipients getting away with too much as it is. And the opposition to capital gains tax reduction even comes from some of the wealthy, as those in the 70 to 90% tax brackets who feel that the contrastingly low 25% levy on "income" is unfairly favorable. In any event, however, efforts like Congressman Wilson's, backed by an academic university study, are constructive in at least combatting present and future pressures to *raise* the levy on capital gains above the existing 25% ceiling.

Joins Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Gordon G. Karrick has become connected with Westheimer & Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Lawrence Cook & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Jack J. Bray is now associated with Lawrence Cook & Co., 1940 East Sixth Street, members of the Midwest Stock Exchange.

Compelling Reasons to Stop Passenger Deficits Problem

By JAMES M. SYMES*
President, Pennsylvania Railroad

The money-losing proposition of being forced to run many "nearly empty" trains is said to necessitate transferring to ICC some jurisdiction over local service, rates and fares, and to require the help and cooperation of State regulatory commissions. Appreciative of belated but nevertheless better public and political understanding of rail industry's passenger problem, Mr. Symes goes on to point out that he does not want to get out of the passenger business but, instead, wants to make the passenger business a "business" by tailoring the product to the market. Calls for reduced commuter schedules, reluctantly supports subsidy, and suggests more rail pay and consolidation of Railroad Express agency with parcel post and other measures to achieve constantly growing 20th Century transportation.

I would like to look at some mighty important over-all facts of the kind that tend to get overlooked in the formal and technical presentations usually made to railroad and utility commissions.

James M. Symes

But before I get into that there are a couple of other important over-all facts about the current situation which I will mention. One of these is the great amount of unity that railroad men have been showing this year — at long last. As you know, some of us have the passenger problem and some don't. Some of us have built-in financial handicaps and some don't. Some of us are sure at all times of a pretty good nest-egg of traffic, and some aren't. In the past this wide diversity of interests and good and bad fortune has often kept us from getting together on a program of reforms. We had a way of agreeing that there should be reforms—but by and large each railroad or group of railroads wanted the emphasis placed on the reform it happened to need most. We tried to justify this—to the extent that it can be justified—on the ground that railroad men are, by tradition, "rugged individualists." "Rugged individualism," as properly used motive power, is wonderful stuff. But when its tractive effort is used to pull an industry apart instead of together, nothing gets accomplished. I think our industry is now pulling together — and that this is going to have productive results for us, for transportation generally, for shippers and passengers, for the national economy and the national defense.

Incidentally, my railroad claims no credit for the fact that for the past 25 years or so it has always stood ready to back any and all reform programs. The reason for that is not our goodness of heart—but the fact that we have every regulatory problem there is. You name it, and we got it.

Public's Growing Sympathy With Rail's Plight

Another important development this year was the genuine sympathy with which the Congressional committees heard our story. They saw the industry was in a plight not of its making or of the recession's making — but in deep trouble that would be permanent unless reform of regulation was started, and at once. In all frankness, the reform movement is only *starting*—and I am sure everyone understands that. But it *is* starting—and so we have at last a concrete foundation to build on. Before we had only the *words*—the good intentions, you might say—of the Transportation Policy of 1940 and the Cabinet Committee Report of 1955. But those two earnest and sensible documents did, no doubt, help prepare the way.

Still another important development has been the understanding and support the railroads have been getting in the Nation's press. Mistaken government treatment has kept us in deep trouble since the close of the war, 13 years ago. This has hurt our service, our progress, our financial stability, our employes, the people we buy from and their employes, the economy generally—and the future of all of these. But up to a few years ago, the public would hardly have known that from the press. Now, thanks to an aroused press, a lot of the public does know it and wants something done about it—not to benefit us as corporations, but to benefit the public and employment and business generally, now and as the economy expands in the decades ahead.

I do not mean by what I have said that we have enjoyed seeing our aches and pains spread before the public: we are businessmen, not professional invalids. But the fact does remain that without this editorial understanding there could never have been public understanding, and without public understanding not enough legislators would be prepared to vote our way. Fortunately for the people who work for us and the people and businesses we work for, the climate changed in time.

What all this adds up to, I suggest, is this:

The public, and Congress, see at long last that we should have a chance to serve our customers in a businesslike way — and have started the process of giving us that chance. How, then, are we going to use it?

Coming to Grips With Passenger Deficit

Well, in the case of big passenger railroads like mine, one of our first and biggest assignments—and one of *your* first and very biggest assignments — is going to be to help get passenger service onto a more businesslike basis, and thus onto a more truly public-service basis. In plain English, we and you have got to come to grips with the passenger deficit—for it has just about wrecked some of us and *will* wreck us if it keeps up much longer.

Aside from this danger of wreckage — and by wreckage I mean progressive deterioration and even bankruptcy—there are three compelling reasons why regulatory officials and we must reduce the passenger deficit and reduce it fast. We have all known these three things for some time; we just haven't faced them together.

I am not unmindful of the special studies of the passenger deficit problem that have been made by The National Association of Railroad and Utility Commissioners. But these studies have received less attention than they deserve in some sections of the country—particularly, I am frank to say, in the territory served by my railroad and in States represented at this conference.

Now, at last, let's face it together: *the passenger railroads can no longer carry the financial burden of passenger service in its present form.*

Second, let's face it together: *so long as this problem persists, neither the shipping NOR the traveling public can be properly served.*

Third, let's face it together: *unless we do get this problem solved, the industry cannot do the job that a growing economy and the National Defense require of it.*

Now, let's look at these three things about passengers that the commissioners and we must face together.

Correcting the Passenger Loss Problem

First, *we simply do not have the money to go on as we are:*

My own railroad represents an investment of $2½ billion. By size of investment, we are one of the biggest companies in the nation or in the world. If, instead of being a railroad we had our $2½ billion in chemicals or oil or steel or automobiles or something like that, our net last year would have been over $100 million. Instead, our net was $19 million. At the same time, our passenger operating deficit for the year was $57½ million. So here you have a company making only $19 million after absorbing a loss of $57½ million offering passenger

Continued on page 24

*From a talk by Mr. Symes before the 3rd Annual Convention of Great Lakes Conference of Railroad and Utility Commissioners, White Sulphur Springs, W. Va.

Today's Housing Loans

By JAMES E. BENT*

Chairman, Legislation Committee, National League of Insured Savings Associations, and President, Hartford (Conn.) Federal Savings and Loan Association

Mr. Bent urges Congress to liberalize Federal Savings and Loan Association's investment powers and end the government's monopoly on low down payment home financing by authorizing easier credit terms on conventional home loans. The Hartford, Conn., savings and loan banker charges FHA and VA now have a monopoly on so-called low down payment mortgage loans but because of legislative restrictions are unable to deliver when the housing economy relies upon them most. Points to past 20 years of lending experience to show that a 90% loan surrounded by certain safeguards is entirely in keeping with prudent mortgage lending practices. Predicts lowered conventional loan down payments would expand home buying by perhaps an additional 100,000 dwellings a year.

I want to place in proper perspective our industry's role in providing economical financing of American homes.

James E. Bent

At the end of last year mortgage debt outstanding on one- to four-family homes totaled about $107 billion. Savings and loan associations held $40 billion of this debt or about 37%. Currently, we are financing about 38% of sales.

The object of our business, as stated in the charter of all Federal associations, is "to promote thrift by providing a convenient and safe method for people to save and invest money and to provide for **sound** and **economical** financing of homes." That we have supplied economical home financing may be illustrated by the following data showing gross return on mortgages and return paid on savings during the period 1943-1956:

	Return on Mortgages Interest and Fees	Interest Only	Dividend Return
Year	%	%	%
1943	5.6	5.6	2.7
1944	5.5	5.5	2.5
1945	5.5	5.3	2.3
1946	5.4	5.1	2.2
1947	5.1	4.9	2.3
1948	5.1	4.9	2.3
1949	5.2	4.9	2.4
1950	5.4	5.0	2.5
1951	5.3	5.0	2.5
1952	5.3	5.0	2.7
1953	5.4	5.0	2.8
1954	5.5	5.1	2.8
1955	5.6	5.1	2.9
1956	5.6	5.2	3.0

Source: Operating Analysis Division, Federal Home Loan Bank Board, April 30, 1958.

We believe this data represents an equitable relationship between our borrowing and savings members. The difference between the interest received and dividends paid is (1) set aside for reserves against losses on a total mortgage portfolio composed of 77% conventional mortgages; (2) used to pay premiums on insurance to the Federal Savings and Loan Insurance Corporation; and (3) used for operating expenses which, needless to say, have increased substantially during the period 1943-1956.

*Testimony by Mr. Bent before Subcommittee on Housing of the House Banking and Currency Committee, Washington, D. C., July 10, 1958.

Mortgage Insurance, Conventional Loans (H. R. 10637)

Over the past several years we have felt that there should be a place in our system of mortgage credit for an intermediate position between self insurance on the one hand represented by the conventional loan, and on the other, the social insurance represented by the FHA and VA. Our original approach to this problem was materially influenced by the success British Building Societies (comparable to our savings and loan associations) have had with mortgage guaranties by private insurance companies.

Under the Building Societies Act a building society is permitted to increase the normal loan-to-value ratio if additional security is provided in one of several permitted forms. One form of additional security permitted by the Act is a guaranty by an insurance company whereby if the lender should sustain any loss on the sale of property following default by the borrower, the insurance company would refund to the lender that part of the loss which is attributable to the excess amount advanced. The loan-to-value ratio is 95% for lower cost homes and 90% for those in a higher category and the premium for a first class risk is 7½% of the excess loan which cannot exceed 15% of the total loan.

The system has worked well in England. In 1955, our National League membership directed that we seek similar arrangements with American companies. We found, however, that the insurance companies either could not, or were not generally interested in writing policies on loans above 80% and we think a 20% equity by the owner is sufficient insurance of itself.

Last year we sought authority for our associations to invest in a private service corporation designed primarily to tap pension funds, but with the thought that the powers of the corporation might be later extended to include the furnishing of other services to the savings and loan system. Here again we ran into difficulties in the form of an inherent conservatism of corporate trustees. Generally speaking, they are not particularly interested in new forms of private securities. We are, however, continuing our work toward creating an interest on the part of corporate trustees in bonds or debentures secured by home mortgages. We do believe the idea of a private service corporation is a good one; and if the committee so desires, its powers could be specifically limited to providing mortgage guaranties on conventional loans.

Frankly our primary objective is to be able to make higher percentage loans. Whether it is done by regulation or by a group insurance arrangement for spreading the risk is not too important. Either plan represents a major step in our objective and the committee's obective of bringing home ownership within the reach of more families. Moreover, our lending experience over the past 20 years is strong evidence that a 90% loan surrounded by certain safeguards is entirely in keeping with prudent mortgage lending practices.

In the early days of Federal savings and loan associations, our term and loan-to-value ratio was identical with FHA Sec. 203 loans. We could then make an 80% loan and that is the maximum we can make today. On the other hand government-insured mortgages have moved up to 97% and guaranteed mortgages to 100%, so that today FHA and VA have what amounts to a complete monopoly on so-called low down payment mortgage loans; but because of restrictions built into their underwriting operations, such as interest rate controls and other technical standards, both agencies are unable to deliver when the housing economy relies on them most. Last year, for example, FHA and VA accounted for 25% of total home financing while the great bulk of the financing—75%—was in the conventional column.

Last Safe Area to Relax Credit

The conventional home loan, therefore, represents the one last remaining area where credit terms can be safely relaxed to the benefit of the family man purchasing a home and to the economy which requires a large volume of new housing each year as a cornerstone of prosperity. There is no sound reason why the FHA-VA monopoly on home loans exceeding 80% should not be broken and savings and loan associations given an opportunity to meet the demand for low downpayment mortgage loans under the conventional system.

An easing of mortgage terms on conventional loans written by savings and loan associations would constitute the most important step in the field of home financing since Congress created the existing Federal housing and home financing systems a quarter century ago. It would also expand home buying substantially in the years to come by enabling the purchase of perhaps an additional 100,000 dwellings a year.

As institutions chartered and supervised by the Federal Government, we must look to Congress for authority to pool private assets to insure private mortgages. That does not mean that any Federal funds should be involved. Moreover, there is no legal or moral obligation on the part of the United States Government. We do not look upon this program as government insurance or, for that matter, government assistance.

One of the remarkable features in the post-war pattern of housing starts has been the stability of conventionally financed housing. One reason for this stability in conventional financing is its ability to change to market conditions. Interest rate or other controls on loans under this program would magnify the recurring difficulties experienced in the government mortgage sector; we would oppose such controls.

Investment Powers, Federal Savings and Loan Associations

Under Section 5(c) of the Home Owners' Loan Act, the investment powers of Federal savings and loan associations are limited primarily to "first liens upon homes or combination of homes and business property." In addition, these associations may make loans on the security of first mortgages on "other improved real estate" not exceeding 20% of assets; in government bonds and bonds of the Federal Home Loan Banks and Federal National Mortgage Association.

All other financial institutions including State chartered savings and loan associations are given much broader powers to diversity their investments. For example, in at least 14 States, State chartered associations may make equity investments in housing; 37 States authorize investments in State obligations and approximately half the States authorize the purchase of bonds issued by municipalities and other political subdivisions. In most cases the authority to make these investments is limited to a percentage of assets or left to the discretion of State supervisory authorities.

We recommend that the Subcommittee on Housing of the House Banking and Currency Committee consider authorizing similar powers for Federally chartered associations. Diversification is, of course, important to investment institutions. But even more important from the standpoint of housing is the need to bring more private capital into the development of community facilities. We are falling further and further behind in producing schools, streets, water and other facilities that are a necessary part of housing expansion. As holders of 37% of the home mortgage debt we have a vital interest in community development. We want to be of assistance.

Our cities and towns, in a large part, must finance these needed facilities by borrowing in the capital markets where the lenders' interest is limited to soundness and yield on the investment. These factors are, of course, important to any financial intermediary investing the savings of individuals. In addition, our associations have a stake in these communities.

As a pilot program we would like to see the board given authority to permit Federal associations to make limited investments in bonds issued to finance community facilities in the area where the association is located.

Under our statutes we cannot make equity investments in housing or make any loans on the security of unimproved property. Yet one of the biggest problems in housing today is finding adequate capital to purchase and develop sites for home building. The problem grows more acute as we move out from the larger metropolitan areas.

Our associations could do much to alleviate this problem if we were permitted to make limited equity investments in land for development and sale. We should also be permitted to make loans on the security of unimproved property that is to be developed for home sites.

Removal of Limitation on Insurance of Accounts

The removal of the $10,000 ceiling on savings account insurance would, in our judgment, produce a substantial increase in funds available for home financing with only a negligible change in the contingent liability of the Federal Savings and Loan Insurance Corporation. About 97% of all accounts in insured savings and loan associations are covered by insurance. Removal of the limit would, therefore, increase the contingent liability of the Insurance Corporation by only 3%.

The present ceiling presents no problem to the great majority of our members. It is an impediment to the large investors such as the pension fund trustees. We cannot effectively compete yield-wise for these funds. Our main inducement is insurance, but the large investor is not particularly interested in a $10,000 investment. Consequently, the insurance ceiling is a block to an indirect investment of funds in mortgages through savings accounts.

We are assuming that this committee would have jurisdiction through these hearings to consider a recommendation for removal of the limitation. In any event we believe such an amendment would increase by one-half billion dollars annually the amount of money available from our institutions for financing homes.

Maximum Mortgage Amounts, Section 203 Housing

We question the wisdom of increasing the maximum mortgage amounts under Section 203 Housing to $30,000 for a single family dwelling. Despite the post-war inflation in housing the $30,000 home is still in the luxury class and we are opposed to extending the benefits of the FHA insurance program to those who can afford this type of housing.

COMING EVENTS

In Investment Field

Aug. 21-22, 1958 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group IBA 24th annual summer frolic at the Columbine Country Club.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 26, 1958 (Cleveland, Ohio)
Bond Club of Cleveland fall outing at the Cleveland Country Club.

Sept. 26, 1958 (Rockford, Ill.)
Rockford Securities Dealers Association annual "Fling - Ding" at the Mauh-Nah-Tee-See Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Nov. 7-8, 1958 (Chicago, Ill.)
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Dec. 9, 1958 (New York City)
Investment Association of New York annual dinner at the Waldorf-Astoria.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

New Issues

$40,000,000 Los Angeles City

High School District • School District • Junior College District

Los Angeles County, California

3½% Bonds, Election 1958, Series A

Dated September 1, 1958 *Due September 1, 1959-83, Incl.*

Payment and Registration

Principal and semi-annual interest (March 1 and September 1) payable at the office of the Treasurer of Los Angeles County in Los Angeles, California, or at any of the fiscal agencies of Los Angeles County in New York, N. Y. or Chicago, Illinois, at the option of the holder. First coupon (annual) payable September 1, 1959. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

Tax Exemption

In the opinion of counsel, interest payable by the Districts upon their bonds is exempt from all present Federal and State of California Personal Income Taxes under existing statutes, regulations and court decisions.

Legality for Investment

We believe these bonds are legal investments in New York for trust funds and savings banks and in California for savings banks, subject to the legal limitations upon the amount of the bank's investment, and are likewise legal investments in California for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

Purpose and Security

These bonds comprise separate issues of three distinct districts. The bonds of each issue in the opinion of counsel constitute the legal and binding obligations of the issuing district and are payable, both principal and interest, from ad valorem taxes which may be levied without limitation as to rate or amount upon all of the taxable real property in the issuing District and which, under the laws now in force, may be levied without limitation as to rate or amount upon all taxable personal property, except certain classes thereof, in the issuing District.

Legal Opinion

The above bonds are offered when, as and if issued and received by the underwriters listed below as well as other underwriters not shown whose names will be furnished on request, and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, California.

ISSUES, AMOUNTS, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

$28,000,000
Los Angeles City High School District
$10,000,000
Los Angeles City School District
$2,000,000
Los Angeles City Junior College District

High School	City School	Junior College	Due	Yield or Price
$1,120,000	$400,000	$80,000	1959	1.00%
1,120,000	400,000	80,000	1960	1.30
1,120,000	400,000	80,000	1961	1.60
1,120,000	400,000	80,000	1962	2.00
1,120,000	400,000	80,000	1963	2.15
1,120,000	400,000	80,000	1964	2.30
1,120,000	400,000	80,000	1965	2.45
1,120,000	400,000	80,000	1966	2.60
1,120,000	400,000	80,000	1967	2.75
1,120,000	400,000	80,000	1968	2.90
1,120,000	400,000	80,000	1969	3.00
1,120,000	400,000	80,000	1970	3.10
1,120,000	400,000	80,000	1971	3.15
1,120,000	400,000	80,000	1972	3.20
1,120,000	400,000	80,000	1973	3.25
1,120,000	400,000	80,000	1974	3.30
1,120,000	400,000	80,000	1975	3.35
1,120,000	400,000	80,000	1976	3.40
1,120,000	400,000	80,000	1977	3.45
1,120,000	400,000	80,000	1978	3.45
1,120,000	400,000	80,000	1979	100
1,120,000	400,000	80,000	1980	100
1,120,000	400,000	80,000	1981	100
1,120,000	400,000	80,000	1982	100
1,120,000	400,000	80,000	1983	100

Bank of America N.T. & S.A. · **The First National City Bank** *of New York* · **The Chase Manhattan Bank** · **Bankers Trust Company** · **Harris Trust and Savings Bank** · **Guaranty Trust Company** *of New York* · **Blyth & Co., Inc.** · **The First Boston Corporation**

Smith, Barney & Co. · **Security-First National Bank** · **American Trust Company** *San Francisco* · **California Bank** *Los Angeles* · **Continental Illinois National Bank and Trust Company** *of Chicago* · **Chemical Corn Exchange Bank** · **The Northern Trust Company**

Drexel & Co. · **R. H. Moulton & Company** · **C. J. Devine & Co.** · **Merrill Lynch, Pierce, Fenner & Smith** · **The First National Bank** *of Portland, Oregon* · **Seattle-First National Bank** · **R. W. Pressprich & Co.**

The Philadelphia National Bank · **Equitable Securities Corporation** · **Dean Witter & Co.** · **William R. Staats & Co.** · **Reynolds & Co.** · **J. Barth & Co.** · **Ladenburg, Thalmann & Co.**

Clark, Dodge & Co. · **First Western Bank & Trust Co.** *San Francisco, Calif.* · **Hornblower & Weeks** · **E. F. Hutton & Company** · **A. M. Kidder & Co., Inc.** · **Laidlaw & Co.** · **Lee Higginson Corporation** · **John Nuveen & Co.** *(Incorporated)*

Schoellkopf, Hutton & Pomeroy, Inc. · **Shearson, Hammill & Co.** · **Stroud & Company** *Incorporated* · **Trust Company of Georgia** · **Wertheim & Co.** · **Andrews & Wells, Inc.** · **Bacon, Stevenson & Co.**

Bacon, Whipple & Co. · **William Blair & Company** · **Coffin & Burr** *Incorporated* · **R. S. Dickson & Company** *Incorporated* · **Francis I. duPont & Co.** · **Fitzpatrick, Sullivan & Co.** · **Gregory & Sons** · **Ira Haupt & Co.** · **Hirsch & Co.**

W. E. Hutton & Co. · **Kean, Taylor & Co.** · **Carl M. Loeb, Rhoades & Co.** · **W. H. Morton & Co.** *Incorporated* · **National State Bank** *Newark, N. J.* · **New York Hanseatic Corporation** · **Roosevelt & Cross** *Incorporated* · **L. F. Rothschild & Co.**

F. S. Smithers & Co. · **Stone & Youngberg** · **G. H. Walker & Co.** · **Chas. E. Weigold & Co.** *Incorporated* · **H. E. Work & Co.** · **American Securities Corporation** · **Robert W. Baird & Co., Incorporated**

C. F. Childs and Company *Incorporated* · **City National Bank & Trust Co.** *Kansas City, Mo.* · **City National Bank and Trust Company** *of Chicago* · **Julien Collins & Company** · **A. G. Edwards & Sons** · **Ernst & Company** · **Field, Richards & Co.**

First Southwest Company · **Ginther & Company** · **Kalman & Company, Inc.** · **Wm. J. Mericka & Co., Inc.** · **Northwestern National Bank** *of Minneapolis* · **Wm. E. Pollock & Co., Inc.** · **J. R. Williston & Beane**

J. C. Bradford & Co. · **Burns, Corbett & Pickard, Inc.** · **Commerce Trust Company** *Kansas City, Mo.* · **Dominick & Dominick** · **The First Cleveland Corporation** · **Hill Richards & Co.** *Incorporated* · **The Illinois Company** *Incorporated*

Kenower, MacArthur & Co. · **Lawson, Levy, Williams & Stern** · **Irving Lundborg & Co.** · **McDonnell & Co.** · **Provident Savings Bank & Trust Company** · **Shuman, Agnew & Co.**

Stein Bros. & Boyce · **Stern, Frank, Meyer & Fox** · **Taylor and Company** · **Third National Bank** *in Nashville* · **Thornton, Mohr and Farish** · **Spencer Trask & Co.** · **Tripp & Co., Inc.** · **Robert Winthrop & Co.**

Wood, Gundy & Co., Inc. · **Blunt Ellis & Simmons** · **Breed & Harrison, Inc.** · **Federation Bank and Trust Co.** · **The First National Bank** *of Memphis* · **First National Bank of Minneapolis**

The First National Bank *of Saint Paul* · **Frantz Hutchinson & Co.** · **Lyons & Shafto** *Incorporated* · **The National City Bank** *of Cleveland* · **Seasongood & Mayer** · **Stern, Lauer & Co.** · **Stubbs, Watkins and Lombardo, Inc.**

Tilney and Company · **Van Alstyne, Noel & Co.** · **Wachovia Bank and Trust Company** · **R. D. White & Company** · **Zahner and Company**

July 30, 1958 ***A circular relating to these bonds may be obtained from any of the above underwriters, as well as other underwriters not shown whose names will be furnished on request.***

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 39 including chart of atomic energy and rocket fuel uses of various atomic metals—Atomic Development Mutual Fund, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Burnham View—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Canadian Business—Survey—Bank of Nova Scotia, Toronto, Ont., Canada.

Chemical & Ethical Drug Stock Price Indices — Tabulation—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Chemical Industry — Report — Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y. Also available is a report on the **Machine Tool Industry.**

Five Sensible Over-the-Counter Stocks for Growth — Brief analyses of **Electronics Specialty Co., Public Service Co. of New Mexico, Beneficial Corporation, Thermo King Corp.** and **Grolier Society** — George O'Neill & Co., Inc., 30 Broad Street, New York 4, N. Y. Also available is a detailed analysis of **Electronic Specialty Co.**

Insurance Stocks — Comparative figures on forty companies —Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Japanese Corporate Earnings—Analysis—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Japanese Stocks—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

New European Market: What It Means to U. S. Business—Brochure—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Six Percent Plus Growth—List of issue with high yield and long term growth possibilities—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is an analysis of the Middle East and the Markets.

Two Paths of Recession—Review of Canadian economy—Bank of Montreal, Montreal, Que., Canada.

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Abbott Laboratories—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

Alabama Gas Corporation—Report—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available are reports on **Joy Manufacturing Company** and **Goldfield Consolidated Mines Co.**

Arizona Public Service—Data—Dreyfus & Company, 50 Broadway, New York 4, NN. Y. Also in the same circular are data on **Stone & Webster** and **U S Plywood.**

Blaw-Knox—Data—Schweickhardt & Company, 29 Broadway, New York 6, N. Y.

California Eastern Aviation, Inc.—Memorandum—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Watson Bros. Transportation Co.**

Chesapeake Industries Inc.—Analysis—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.

Clark Equipment—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are

Continued on page 35

The 1958 Crop Outlook

By ROGER W. BABSON

In previewing 1958 farm crop outlook, Mr. Babson remarks with wonder about continued farmers' ability to produce more and more from less and less. Observes that farmers' first half year net income was up 22% from corresponding 1957 figure and expects there may be a moderate drop in second half.

Year after year, I am amazed how American farmers, given favorable crop conditions, continue to produce more and more from less and less. My first survey of 1958 crop prospects indicates a total outturn equaling that of any previous year—and this from the smallest total planted acreage in 40 years of comparable record. Here are some of the highlights.

Roger W. Babson

Production of winter wheat is expected to hit a record high of 1,130,000,000 bushels—up 60% from 1957 and 33% above the 1947-1956 average of 850,000,000 bushels. Although the indicated spring wheat outturn of around 214,000,000 bushels is the second smallest since 1939, the total U. S. crop will be the second largest of record. Despite the fact that stocks of old wheat on farms recently were well below average, total wheat supplies will more than suffice for 1958-1959 needs. Seasonal factors also militate against a sustained price rise over the near term.

Mother Nature has favored several of the other grains. Outturns of barley and rye, for instance, will top the 10-year average. These sizable crops come on the heels of large carryovers—69% above average in the case of barley and 10% above in the case of rye. Above-average crops are indicated also for both hay and sugar beets. Although the oats crop may be a little below average, unusually heavy farm stocks assure easily ample total supplies. The flaxseed crop threatens to be relatively small. Farm stocks of this item also are sharply under a year ago and the 10-year average. This may augur some stringency in supplies of linseed oil and linseed meal during the 1958-1959 season.

Corn, Dry Beans, and Rice

Prospects for the nation's corn crop are relatively good, but the outturn, which I forecast at around 3,300,000,000 bushels, may be somewhat under last year's total. Weather conditions between now and harvest time this fall must, of course, be reckoned with. However, there would appear to be no fear as to adequacy for the 1958-1959 corn season, since farm stocks of this grain recently were the third highest of record for the date. With the hog-corn ratio likely to remain favorable, I forecast a sharp increase in this year's fall pig crop.

Baked beans devotees will be glad to know that the 1958 U. S. crop may be around 18,269,000 bags—up 16% from last year, 9% above average, and the highest production since 1949. U. S. farmers planted more acreage to rice this year than they did a year ago. I am expecting a crop of around 47,000,000 bags (100 pounds each). This would be about average, but would top the small 1957 outturn by 9%. It should suffice for domestic and export requirements.

Cotton and Soybeans

What impresses me most about the cotton situation is the continuing reduction in the big U. S. surplus. The Aug. 1 carryover is estimated to be down to about 8,700,000 bales, and probably will be cut sharply again a year hence in view of the very small acreage in cultivation on July 1—only 12,402,000 acres—compared with the 1947-1956 average of 22,611,000 acres. Even though this acreage will be intensively cultivated, the final outturn of cotton will fall far short of 1958-1959 domestic and export needs. Hence the expected further cut in stocks. This means that supplies of better grades of cotton may tighten materially as the new season works along.

It is still a bit early in the season for me to hazard a guess on soybean production, but since planted acreage is at a record high, another huge crop is probable, given favorable weather conditions. Farm stocks recently were well below the year-ago figure, but were still the third highest of record for the date. Thus, there should be no dearth of this wonder bean in the crop year beginning this Oct. 1. The indicated supply-demand ratio does not augur sustained price strength.

Farm Income Outlook

Farmers' realized net income in the first half of this year was at an annual rate of about $13,300,000,000—up 22% from the corresponding 1957 figure. There may be a moderate drop in the second half. Although U. S. farmers as a whole should do fairly well this year, some of their basic economic problems remain unsolved. The way out is not yet clear.

Charles R. Blyth Has Two Anniversaries

SAN FRANCISCO, Calif. — Charles R. Blyth, well-Known financier and head of the nationwide investment banking firm of Blyth & Co., Inc., will celebrate his 75th birthday on July 31.

Charles R. Blyth

Mr. Blyth was born in Ashtabula, O. Shortly after graduating from Amherst College in 1905, he started his investment banking career in Chicago with the firm of George H. Burr & Co., where he remained until coming to San Francisco in 1909 when he joined the investment banking firm of Louis Sloss & Co.

While working for Sloss, Mr. Blyth met Roy L. Shurtleff, George C. Leib and Dean Witter and in 1914 they formed the investment banking firm of Blyth, Witter & Co. Dean Witter sold his interest and retired from the organization in 1924.

Under the leadership of Mr. Blyth, the firm has steadily grown in size and importance. The first branch office was established in Los Angeles in 1916 and in 1919 a branch was established in New York. Since then, the firm has established offices in most principal financial centers and today maintains 24 offices throughout the United States. When the firm was founded, it had capital of less than $10,000 and the personnel, including the founders, numbered 11. Today the firm has capital funds of $33,000,000 and approximately 700 employees.

In addition to his investment banking activities, Mr. Blyth plays a dominant role in the business, civic and political life of San Francisco and the state of California. He is a director of several corporations among which are the Crown Zellerbach Corporation, Hewlett-Packard Company and Pacific Gas Transmission Co. He is also a director of The Stanford Research Institute, a trustee of Stanford University, a Vice-President of the San Francisco Opera Association and The San Francisco Symphony. He was recently named Chairman of the California Olympic Commission for the winter olympics to be held at Squaw Valley, Calif. in 1960.

Joins York & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Bruce A. Blinn is now affiliated with York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange.

Rejoins Lamson Bros Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Duane A. Jensen has rejoined Lamson Bros. & Co., City National Bank Building. Mr. Jensen has recently been with A. C. Allyn and Company Inc.

With A. A. Harmet & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Junie L. Sinson is now with A. A. Harmet & Co., 208 South La Salle Street. Mr. Sinson was formerly with Barclay Investment Co.

Two With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Donald R. Mayne and David P. Murphy have become associated with Eastman Dillon, Union Securities & Co., 415 Laurel Street. Mr. Mayne was formerly with Dean Witter & Co.

Textiles and Apparel Industries For the Rest of 1958

By A. W. ZELOMEK*
President and Economist
International Statistical Bureau, Inc., New York City

Business economist envisions general business trend for the rest of the year as being favorable to the textile-apparel industries and converters. Believes low point has been passed but does not anticipate a sharp gain in textile prices, production and orders-backlog; cautions upward trend may fall back a half step before resuming forward direction; and sees profits lagging behind volume improvement. Expresses faith that opportunities for converters are there and advises more risk-taking.

We are at the low point in the 1957-58 general business decline. The low in production was probably reached in April. The low in Gross National Product (business, consumer, and government spending) was reached during the first quarter, or the early part of the second quarter.

A. W. Zelomek

The low in textile activity was reached some weeks ago. The composite index of textile product activity reached its low within the last 60 days.

While we have seen the low point in general business activity, nevertheless there is little indication of a marked upturn in the near future. We are "bottoming out" at the present time. The 1958 business curve will be saucer-shaped, reflecting a continuation in the first quarter of the decline which began in 1957, a more or less level trend in the second and third quarters, and a gradual rise in the fourth. In contrast to the other two postwar readjustments, in 1949 and in 1954, the upturn will be slow in developing and the gains during the first six months after the low point will be less marked.

In contrast to the other two periods, the textile recovery should be slightly greater than for industry as a whole. However, in textiles as in general manufacturing, some segments will do better than others.

Excess capacity and excess production were major contributing factors in the general economic trend. We built too many plants, and produced too much goods, so we had a temporary period of severe indigestion. Last year's cutback in defense spending, and the tight credit policy of the Federal Reserve, helped call a halt to the 1955-1957 expansion before the excesses became even more serious.

The case of indigestion was a painful one, but we are beginning to get over it. Businessmen have reduced sharply their spending for new plant and equipment. More important from the short-term viewpoint, there has been a massive liquidation of inventories since the third quarter of last year. On the positive side, the trend of government spending, defense and otherwise, is now rising; the Federal Reserve has taken active steps to ease credit, increase the money supply, and force interest rates down; and special measures have been adopted to stimulate the important home building industry. Even at the low point, disposable income remained above a year ago, and consumer spending has been well maintained. What we have seen in actual operation during this recession is the practical potency of the stabilizers which are built into our modern economy, and which I discuss in detail in my latest book, "No Major Depression in Our Lifetime."

Textile-Apparel Low Point Passed

The general business trend, as I envision it for the rest of the year, is favorable to the textile-apparel industries and to the converter. I don't anticipate a sharp gain in textile prices and production, and a marked increase in the backlog of orders. But the textile-apparel industries have passed their low point, and will move forward for the rest of the year—one step at a time; they may even fall back a half step before moving to the next one.

The basis for this improvement in textiles is the strong consumers' position, as well as the prospect of a moderate recovery in business activity as a whole. The supply-demand equation is also favorable.

At no time during the recession has disposable income shown a decrease as compared with the previous year. This is an amazing development considering the fact that as high as five million have been unemployed. This certainly indicates that the economy of 1958 is quite different from that of other periods. It certainly indicates that we are less sensitive and less dependent on salaries and wages in manufacturing than hitherto. If I may characterize this period, I would say that we are in a service economy rather than in a production economy. This is a most important change. I question whether the consumer's goods industries, in particular, have given adequate consideration to the significance of this development.

Aside from the expected increase in personal income, the consumer's position is also strengthened by his record liquid assets, the fact that he has no excessive debt, and the fact that prices are not excessively high. As employment gains later in the year, there will also be an improvement in psychology.

Other Favorable Factors

In addition to the favorable consumer position, textiles and apparel during the rest of the year should be helped by the following: The carryover of textiles and apparel from the 1957 Fall heavyweight season is the smallest in recent history.

The exceedingly severe Winter has focused consumers' attention on the inadequacy of their wardrobes, and sales in these divisions in August-September should be better than in recent years.

The retail open-to-buy for heavyweight apparel is the largest in several years.

Stock-sales ratios of wholesalers and retailers at the end of May were low. Even if we include the slightly greater fabric inventories, particularly in cotton mills, total textile inventories are still low.

Unfilled orders at the mill level are low—much lower than a year ago. Therefore, steady replacement buying will be necessary. Customers' stocks are small and their buying has been restricted, but their sales volume will be equal to or better than a year ago.

The strong interest in the new silhouette in women's wear continues. Volume has increased as the low and middle income groups have accepted it much more readily than consumers in the upper income brackets.

The trend toward dressier garments continues even though the volume of separates, sports and casual items also continues to gain.

The outlook for residential building continues favorable. The easy supply of mortgage money and the new housing bill will certainly contribute to a greater number of residential starts this year. Modernization and repair volume, which recently has lagged, should also improve.

While we expect some betterment in the automobile industry from the present depressed levels, nevertheless this industry will hardly provide much encouragement in this period discussed in this report. However, preparations for 1959 models should develop early, and the annual rate of production in the fourth quarter will be high, no matter what happens later. Automobile company buying in the period July through September should be better than last year.

Other industrial consumers of textiles should about maintain last year's levels. This includes the shoe industry, bags, electrical insulation, laundry and dry cleaning supplies, etc. However, demand from industrial users will still lag as compared with apparel and home furnishings producers.

Activity in textile mill products, which is currently only slightly above the low, should tend upward. It is doubtful though, whether producers will step up production rapidly in view of the small profit margins.

Sees Profit Lagging

I certainly wish I could be more optimistic on the profit prospects for the industry. I doubt whether the industry will show a profit equal to the improvement in volume. I do not quite understand the policy of passing on all the advantages you gain, whether through intelligent raw material purchases, better styling and designing, or more effective selling. I believe it is time for the industry to take another look at its own operations and ask itself whether they are sound from the profit viewpoint. After 33 years, and this is a lifetime, I sometimes wonder whether the textile industry has not deliberately embarked on the policy of low profits. It is certainly difficult to understand the basis for this in view of the great opportunities that do exist, especially in this period when novelties are more important and staples are becoming less and less important.

In January, 1957, I spoke before the Textile Salesmen's Association on the subject of the economic position of the converter. At that time I expressed confidence in the future of the independent converter. The same conclusion holds today. But naturally, a great deal depends on their policies. Let me close by indicating just a few of the opportunities which in my opinion are a challenge to the independent converter.

Challenges to the Converter

The independent converter's opportunities are related to his functions in the textile economy. The only questions we have to answer are: *What these chief functions are;* and: *Will their successful execution be better rewarded in this coming period than they have been at many times in the past?*

Personally, I believe the most important functions of the converter can be boiled down to the following:

(1) Risk taking.
(2) Innovation of styling.
(3) New fabric and product development.
(4) Sponsorship and marketing of new products and new ideas.

When I speak of opportunities, I do not mean to imply that they are riskless. But how can you operate most effectively and most profitably without taking risks—in buying seasonal goods out of season, in styling, in gambling on the value of new fabrics and new finishes, in making a market by your sponsorship for new products or new ideas which in your judgment have a good chance for expanding consumer acceptance. And frankly, I don't think that the textile and apparel industries can be healthy unless knowledge, and experience, and contacts with cutters and retailers on the one hand and mills and fiber producers on the other, are hitting full blast on all 16 cylinders.

Now, as to the opportunities, let me assure you they are there. For example, I don't know when you will find a period when there will be much less risk in buying selected grey goods, whether it is in season or not. And since when have you rebelled at carrying a little inventory for customers, if it could be bought at the right price with a fair chance of selling it at a better price.

There are many opportunities in fabric styling. For example, many areas of the men's furnishings market are deader than they should be right now, because nothing is available but the same old fabrics that have been around now for a year or two. These markets are definitely looking for something new, but no one is offering it. Or at least, no one is offering it with enough confidence to inspire the buyer to buy. In any case, something is wrong—either lack of new styling, or lack of confidence in sponsorship—and that creates an opportunity for you.

Now, as to new fabrics and finishes—or even old fabrics such as silk, let me say just one thing. Maybe it's attractive to you to limit your risks as much as possible. But if you are going to deal only in the old stand-bys, where the profits and losses are limited to fractions of a cent a yard, the whole textile industry will be handicapped, and so will your own operations. Sure, the old stand-bys are the staples, and you have to have them as a base for your operations. But I believe you should put a somewhat bigger percentage of your effort into new and/or more risky items and ideas. These new things are like the yeast in the brew. They start fermentation. They don't give you volume right now. But if you don't take this risk, where can you expect to find the volume fabrics of next year? And the year after?

*An address by Dr. Zelomek before Textile Distributors Annual Meeting, New York City.

With Cruttenden, Podesta

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—John Knorr is with Cruttenden, Podesta & Co., McKay Tower.

What's Ahead in Life Insurance?

By CARROL M. SHANKS*
President, Prudential Insurance Company

Pondering why the life insurance industry is slipping and concerned about the greater threat of inflation to this industry than to any other, Mr. Shanks reviews what is—or may be—ahead and discusses what should be done. Warns that the penalty in falling behind can be disastrous for "government intervention and government competition hang like a sword of Damocles over our heads." Details three reasons why inflation to the insurance industry is a singularly crucial challenge. Avers it is not futile to fight inflation and, until it is stopped, suggests recognizing that we probably will have to live with it.

The growth and development of the life insurance industry has been striking. Its accumulation of assets is remarkably large. The percentage of individuals in the country who are covered in some — or in several—ways by the privately-owned companies is a source of pride to all of us and an important measure of security for the country. Our national economy is expanding, and it is reasonable to expect we will expand with it. In view of these facts, we are tempted to look forward to an optimistic future—optimistic without qualification — for the insurance industry.

Carrol M. Shanks

Unfortunately, however, there are two sides to the coin. On the one hand is the picture of our industry's apparently endless growth and expansion—but on the other is a comparison of our development with the growth of the economy as a whole; and this picture is not so bright. We have done well—but not as well as we should have done. The proportion of the public's income after taxes which it devotes to life insurance has remained virtually unchanged during the past 15 years. In other words, we have barely kept pace with the growth of the economy. Why?

For reasons that I will go into later, the penalties of falling behind in a business like ours can be disastrous. Government intervention and government competition hand like a sword of Damocles over our heads. If we don't do our job effectively, there's always the danger that the government may try to do it for us.

Reviews Industry's Standing

Let's take a quick look at what has happened in the industry during recent years:

In 1957, life insurance sales of all branches — ordinary, industrial and group — amounted to $65 billion. Ten years ago, the total was $22 billion, about a third as much.

At the end of 1957, life insurance in force in the U. S. amounted to $456 billion. Ten years ago, it was $201 billion—less than half as much.

At the end of 1957, insurance company assets were more than a hundred billion, about twice as great as ten years ago. This appears to be a gigantic increase. It isn't. Nearly 30% of the purchasing power of these dollars has simply been cancelled out by inflation.

These numbers, big as they are, are no real measure of the job that has been done.

In 1945, the average family had life insurance protection equivalent to 12 months income, after taxes. Today this is somewhat higher: life insurance protects 18 months of current income for the average family. But today's figure is somewhat misleading. The rise in insurance coverage in recent years has been partly on a term basis, so that when we look to premiums instead of face amounts we find that the American public is devoting no more of its income to life insurance than was true 15 years ago. The current proportion devoted to life insurance obviously is not high enough to provide adequate protection to the average family.

Why are we not gaining in the economy? Why don't people invest more of their money in insurance, when the need obviously is greater?

We are not in any critical situation—as an industry, we have, at most, a symptom, not a disease. Yet, other once-important industries have slipped—some so badly that they have almost ceased to exist. What happened to them?

Course of Slippage

In some cases, the cause was **obsolescence of product.** There was just no use for buggies, for instance, after automobiles came into the picture. Only a few of the famous old wagon manufacturers, however, admitted the fact. The rest simply stuck to their guns and then finally boarded up their factories when there were no more customers. This sort of thing happened to manufacturers of a number of other products who refused to keep pace with changing social and economic changes. Products must change to meet the changing needs of people. This applies to us as well as to all other enterprises.

Are **our** products obsolescent? Is there a resistance in the industry to really new products?

The remarkable success of the Family Policy proves that a product adjusted to the current situation has a ready acceptance. For my part, I think Variable Annuities is another plan that fits our economic situation and will prove to be helpful to and popular with policyholders. But the sale of Variable Annuities currently is being blocked, even by some insurance companies. If there had been any legal or legislative way to block the Family Policy, I have no doubt we would have had a hard time introducing it, just as we are having with Variable Annuities. Some day I hope the entire industry will get hard at work to develop new and better products that combine security with sales appeal. There is all the room in the world for creative thinking on this front.

The second possible cause of any industry slipping is really a corollary of the first—the **obsolescence of management.** Unfortunately, the tendency for management to lose its progressiveness and drive often infects a whole industry, probably because the decay of drive in one big organization lessens competition and makes it possible for people to lie down on the job all along the line. More than one industry that was among the greatest in the world in its prime now has fallen behind in virtually every measurement of an industry's value — service to the public, progressiveness, acumen, capacity to operate profitably, labor and public relationships, outlook—all the indices that indicate where a business is going. Many reasons can be found to explain an industry or a major company slipping, but look deep enough and usually you will find incompetent, inactive, or laissez-faire management; a group hog-tied to established methods and without flexibility. Are we falling victim to obsolescence of management? Do our size and prosperity tend to lead us toward the management problems that beset all bureaucracies? This we must avoid at all costs, because no business can continue to exist and prosper simply because it is big—no matter how big it is, it has to be managed intelligently, aggressively, and conscientiously, or it will fail.

Handling the Exceptional Cost of Inflation

The third major cause of industrial decay has been the **inability of the declining company to handle costs.** Costs got out of hand as a result of faulty product design, outdated production and distribution methods or because management was simply unable to cope with overhead pressures. The encroachments of increasing costs have driven more than one company out of business in the past, and the situation will grow worse in the future. With increased labor costs, a shorter work week, continuing inflation, an increasingly complicated tax structure and mounting raw material costs, the financial requirements of business will multiply, and management skill on this front will be more needed than ever before. The allowable number of mistakes will be reduced.

The insurance industry is certainly faced with some real cost problems, which can be overcome only by skilled management. We not only have the usual cost problems but have one problem not shared by other industries: the insurance industry has, on its books, millions upon millions of dollars worth of policies issued many years ago which, because of unanticipated inflation, carry far less than their share of the cost burden. In our business a customer buys a product at a stipulated price and pays for it over a lifetime—and there is no way we can raise our premiums once the original transaction is completed. This makes the challenge for us that much greater. Costs can be a greater long-range threat to us than to other industries, and will require greater skill to find solutions.

In viewing what is—or may be—ahead for the insurance industry, there are two other general topics I would like to touch upon: first, What are some of the specific things the industry should concentrate on in the immediate future in order to solidify our position—and second, What will happen if we don't move ahead at a satisfactory pace?

Among the problems that we will meet head-on in the coming years are these four:

(1) How can we reduce the costs of distribution?

(2) How do we solve our tax problems?

(3) How do we assure competent manpower at the top levels of management?

(4) What do we do about inflation?

Problems Coming Up Head-On

Distribution problems are not peculiar to our business. Progress must be made in simplifying and reducing the costs of distribution in virtually every field, because here is where a large part of the costs are created and, as a result, the place where the greatest economies should somehow be made. Decentralization does a great many things, but one of the most important is that it increases efficiency in the field. The industry can well afford to spend a considerable amount of time creating or inventing other ways to make the sale and servicing of insurance more efficient and less costly.

The problem of taxation is another that causes concern. The Federal Government is now working on a tax formula for the insurance industry, and there is no certain way of knowing where it will end. The task of setting up an equitable formula for the industry is not easy. The insurance industry which is generally thought to be undertaxed, actually is more heavily taxed at both Federal and State levels than other savings institutions. One complicating factor in arriving at a workable tax formula for the insurance industry is that the mutual companies have no profits to tax, and accordingly, any tax is a direct charge on policyholders — a direct tax on savings — a price that policyholders must pay for thrift. Creating a tax formula that applies equitably to mutual companies and their policyholders, and at the same time to stock companies—who, of course, should and do make profits and distribute them to stockholders—is a most difficult assignment. Certainly the least that is needed in this situation is widespread public — and Congressional — education about the nature of our business.

The problem of securing, holding and developing competent manpower for top-level management is one of our greatest problems, a problem common to all industry. However, when one recognizes the increasingly vital role of the insurance industry in the economy, it becomes obvious that far more than our own health as an industry is at stake. I don't know that our industry is less attractive to good men and women than other industries; I assume that it may appear less exciting than some from the outside, and it is a fact that insurance companies generally are not noteworthy for high salaries, bonuses, and stock participation plans — the latter, of course, being ruled out in mutual companies because there isn't any stock to participate in. We must therefore look carefully at the incentives which we are capable of supplying, and do the best we can. The first job is to make the insurance industry a good and satisfying industry to work for. This is purely a function of good management, but even with good management it will require an outlay of money. We need good men — better men than we have had, on the average, ever before, and we will get them only if we maintain top-grade, far-sighted, imaginative management now.

Finally, we are faced with the probability that **inflation** will continue at a varying pace. Inflation hits us harder than most industries. In the first place, our premium on outstanding business is fixed for all time; second, inflation compounds all our cost problems; and third, it creates policyholder dissatisfaction because the benefits they receive fall short of what they thought these benefits would provide when the original policy was taken out. All of us in the industry should fight inflation in every conceivable way, but should recognize that we probably will have to live with it. I don't mean that our fight is destined to be futile. It won't be. Concentration on the job of fighting inflation may not stop it in the predictable future, but we can retard it and some day we may bring it to a halt. In any event our efforts will go a long way in preventing the government from taking short-sighted measures, in difficult times, that will subsequently add fuel to the inflation fires. Slowing inflation down is next best to stopping it.

Penalty for Poor Job

Now we come to one last and most important point: What is the penalty for not doing our job the way it should be done?

In some businesses, there is a lot of elbow room for mistakes. Inefficiencies are slow catching up and taking their toll. But with us, there is no margin for failure.

For one thing, the size and importance of the insurance industry, and its commanding place in the economy, is an open invitation to demagogues. Our assets can be made to look dangerous, not because we have any tendency to misuse them, but simply because we have them.

On another front — providing ample coverage for the people of the country at reasonable rates—we could find ourselves wide open for government interference. It is generally supposed that virtually everyone should have some sort of protection. To the extent that we can't provide it, the government is likely to. Here again is a fruitful political issue that attracts everyone who would like something for nothing, and repels only those, a pitifully small minority, who are dedicated to the principle that the government ought to stay out of competition with private business. We are going to have to find ways of providing some kind of coverage for anyone who can afford to pay any reasonable premium — and fortunately that includes the vast majority of people. The only way to keep the government out of the insurance business —or to keep the government from going any further into it, because it is already big business with the government — is to make it unnecessary for the government to expand its insurance services This produces problems for us particularly in Accident and Health insurance, which is difficult at best to manage, and where precedents have been set in England and Canada for government coverage. Private coverage is already virtually impossible in both those countries in many of these categories.

In closing let me say this. If the insurance industry continues to grow, to be progressive, well managed, broad-gauged, and conscious of the job that has to be done, we should move into the greatest era we have ever experienced and solidify our position as a free enterprise institution. If we let old age and bureaucracy creep up on us we are in for trouble.

Our course is certainly clear. The fact that we are aware of the problems confronting us gives me confidence that we will find ways to solve them. What we do, not what the economy does, will determine what is ahead in life insurance.

*An address by Mr. Shanks before Rutgers Annual Business Conference, New Brunswick, New Jersey.

Sterne Agee Leach to Admit E. E. Armstrong

MONTGOMERY, Ala.—On Aug. 7 Ernest E. Armstrong will be admitted to partnership in the New York Stock Exchange member firm of Sterne, Agee & Leach. He will make his headquarters in the Montgomery office in the First National Bank Building.

Thomas J. Pillion With David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Thomas J. Pillion has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Pillion for many years was an officer of Webber-Simpson & Co.

Trends in Social Welfare Expenditures and Programs

By WILBUR J. COHEN*
Professor of Public Welfare Administration
School of Social Work, University of Michigan

Noted Michigan University expert concludes total U. S. A. public and private social welfare spending is larger and more significant than generally believed and estimates that it reached about $60 billion in 1957, or 14% of G. N. P. Prof. Cohen estimates on basis of latest data that public welfare expenditures were about 8.6% of G. N. P. for 1955-56 and expects this will increase quantitatively and relatively. Looking a decade ahead, and after cautioning about hazards involved, Mr. Cohen expects total public and private spending will go up by $30 to $40 billion, depending upon rate of increase of G. N. P. He states we should strengthen and broaden Federal-State grant-in-aid system of health, education and welfare, and believes future bottleneck will not be money alone but lack of trained personnel as well.

During the past 10 years, the productive capacity of our nation has grown remarkably. Although the average rate of growth of the Gross National Product has been 3% a year since 1900, during the past 10 years it has been 4% a year. Despite temporary setbacks, real family incomes have increased about 20% over the last decade. If our economy continues to grow during the next 10 years by at least the same rate it has grown during the past 10 years—and there is every reason to believe it could grow at a somewhat larger rate — we have some very important choices before us in determining the course of our social welfare programs and expenditures.

Wilbur J. Cohen

The Secretary of Health, Education, and Welfare, Marion B. Folsom, has stated the challenge facing us very clearly:

"In the new age we are entering, our society will have the resources and the power, the opportunity, to banish many more of the burdens that have beset mankind through the centuries. For the first time in human history a great nation will have the material resources, the wealth in being, to eliminate hunger and scarcity and proverty, to provide a decent level of living, for a *whole* people. Life may no longer *have* to be, for anyone, a grim struggle for bare existence.

"Our society also will have, or *can* have, the knowledge and power to abolish—to a far greater extent than ever before—age-old burdens of disease and disability and pain. We will have far greater resources and opportunities than ever before to erase ignorance and to encourage more effectively the intellectual development of many more of our young people.

"I say our society will have the resources and the power to do these things. But will we *use* this power—and use it wisely? Will we have the vision to assign the proper priorities for the investment of the resources available? Will we take a sufficiently long view in setting our goals? These are crucial questions. [1]

Establishing Social Priorities

As we attempt to build upon and expand our existing social welfare programs, an ever-present factor comes into play with increased importance—the growing recognition of the need for more deliberately determining our short-run objectives in relation to our long-run goals.

Our expanding labor force and national product, the growth of our population — especially the number of children, the aged and the disabled—the growth of suburban areas, the mobility of our population, the exodus of negroes from the South to northern metropolitan areas, the influx of Puerto Ricans to the mainland, and the continued flow of persons from rural areas to urban centers, have created all sorts of social needs which press for immediate solution. We need more schools, more roads, more hospital beds, and more housing. We want more teachers, more doctors, nurses, social workers—and we will have to pay them more to get them in competition with the demands of science, business and other professions.

We not only want to expand our educational system, our social insurance programs, our health services, and to improve our public assistance programs, but we wish to improve the quality of the services given. We wish to have more extensive child welfare services, and services for mentally retarded children, better programs to deal with juvenile delinquency and the mental health needs of both adults and children. We need more neighborhood centers, counseling and rehabilitation services, and recreational programs. This list could be expanded at great length. But more and more we are coming to recognize that while there remains much to do, and there is much more than we can do than we are doing, we can't do all we want to do all at once. Moreover, money alone is not the sole limiting factor. Increasingly, it may become of less importance. The lack of trained personnel may be an even more important bottleneck. Consequently, we must establish certain social priorities in determining what we want to and can do first, how we are going to distribute the costs, how we obtain the necessary trained personnel, and through what institutional means we will try to achieve our objectives.

At both the professional and political levels, we will have to give more weight in determining priorities to the training of personnel as well as the most appropriate institutions for dealing with our needs whether through private or public auspicies or some combinations of them. When we evaluate private arrangements, we must give attention to the many kinds of efforts of individuals and families and the activities of voluntary associations, employers, unions, collective bargaining, the non-profit associations in health and welfare, and commercial insurance enterprises. When we consider the use of public arrangements, we must define the roles of the Federal, State and local governments—not always an easy task. And when we come to consider the relationships between governmental and non-governmental organizations, we shall have to steer a difficult course between abstract principles and pragmatic experience which may test the wisdom and skills of all of us.

We face a much different task today in charting a course for social welfare than we did in 1929 or 1935. Then we had the advantage of a relatively clean slate and the availability of talented and highly motivated personnel but with the great disadvantage that many problems of administration had to be solved. We have gained "know-how" in administration. We have gained a reasonable degree of competence in our financial, actuarial and economic planning of the programs. But today we have a pluralistic, piecemeal system with many vested interests; a jigsaw puzzle of many parts, with more diverse arrangements than we had in 1935. And, with each passing year, it becomes more difficult to make basic changes in the structure as institutionalization and rigidities take hold. Reversing what Sir William Beveridge had said, we must be most careful that as we attempt to adjust our social welfare institutions to our changing needs that we do not permit the good to become the enemy of the better.

The Magnitude of Social Welfare Expenditures

In discussing trends in social welfare programs, the first important factor to note is the magnitude of existing expenditures for these purposes — because while they are substantially below our needs they are much more than most persons usually assume.

Total expenditures—public and private—for all social welfare activities in the fields of health, education, and welfare in the United States reached about $60 billion for 1957, according to the best estimate I can make. This is equivalent to about 14% of all the goods and services produced in the nation (the gross national product).

This is an impressive and significant measure of the importance which the United States places on human values. Too frequently, the objectives of our economic, political institutions have been advertised or evaluated solely in terms of materialistic accomplishments to our disadvantage both at home and abroad.

A review of existing social welfare programs and expenditures shows that, as a nation, it appears we believe in the principle of developing the capacities and creativeness of the individual to the maximum, in strengthening family life, and in using a wide variety of public and private social welfare institutions to promote the general welfare.

Despite the gaps and shortcomings in our programs, it is clear that the American people have accepted the principle that government, business and voluntary agencies should have as their goal the attainment of a "state of welfare" for all people.

In many instances, government and business are reluctant to admit or explicitly declare their acceptance of these goals for fear they may be charged with belief in the "welfare state" (whatever that might mean). But in the good pragmatic pattern of our heritage, legislators, businessmen, and others, act increasingly in a socially conscious manner even when they vigorously deny the similarity in objectives with social workers.

Ends and Means

As we scan the growth of social welfare institutions since the turn of the century, and the proposals being considered for further improvement, the so-called "controversial" issues today revolve less around the fundamental "principle" of assumption of social responsibility and more around such complex issues as alternative methods of administration and allocation of costs. These elements become important because of the concern about incentives, the relationship between governmental and non-governmental agencies, and the proper timing of particular proposals in relation to other needs. These are all complicated questions involving technical decisions in which persons sharing the same broad goals and philosophy may have strong differences of "principle" on what to others may seem "details" or "methods."

Perhaps I can illustrate my point in another way. With the acceptance of the basic objectives of public responsibility in some of the fields of health, education, and welfare by the Eisenhower Administration, the controversies turn now to such complex issues as the formulas in Federal grant-in-aid to the States, the role of the States and the Federal Government in juvenile delinquency, who shall pay for extended unemployment insurance benefits, and similar financial and administrative questions. Increasingly, social policy formulation may involve knowledge and decisions on specific issues of great complexity and less on those which can be easily shown to involve exclusively great matters of ethical principles which will arouse emotional and moral crusades. This may change the whole character of social action in social welfare issues.

Increased Public Expenditures

Social welfare expenditures from *public* funds have grown significantly in the past decades. In 1890, all public expenditures for health, education, and welfare amounted to about 2.4% of the gross national product. In 1929, just before the advent of the great depression, this figure had grown to 4.1%. During the years 1955 and 1956 (the latest for which information is available) the figure was 8.6%.

It is clear, from a number of studies,[2] that *public* expenditures for social welfare activities will continue to increase both in dollars and relative to our total economy.

The Rockefeller Report issued in April, 1958, made a number of recommendations for changes in some of our health, education, and welfare programs.[3] The report includes projections of the public expenditures involved in their recommendations. For all three types

Continued on page 24

*An address by Prof. Cohen before National Conference on Sound Welfare, Chicago, Ill.

1 "Some Suggested Adjustments in the Use of Our Resources." Address to the American Philosophical Society.

2 *Veterans' Benefits in the United States*, Findings and Recommendations of the President's Commission on Veterans' Pensions (the Bradley Commission), April 1956, pp. 117-126. The Bradley Report contains projections of public income maintenance expenditures to 1985. Under one set of assumptions, expenditures for 1985, measured as a percent of national income, are nearly twice those of 1955.

3 *The Challenge to America: Its Economic and Social Aspects*, Doubleday and Co., Inc., New York, 1958, p. 78.

The Demand for U.S. Crude Oil

By MINOR S. JAMESON, JR.*
Executive Vice-President
Independent Petroleum Association of America, Tulsa, Okla.

Independent oil group official perceives substantially higher demand outlook for U. S. crude oil over recent and current depressed levels of production. Mr. Jameson, however, expresses concern over world oil surplus which continues to pose serious problems and trusts that Federal Government will consistently encourage domestic industry. Author assumes 1954 import level to arrive at average domestic production figures of 7,430,000 barrels daily for October 1958 through March 1959, and estimates 7,130,000 barrels daily for same period if Government continues present voluntary import plan—compared to crude production rate of about 6,330,000 barrels daily during June, 1958. Primarily blames increased imports and inventory stock liquidation corrections for reducing domestic oil production to 1952 level—despite increased domestic and export demand of more than 1 million barrels daily.

One important element in petroleum conservation is the effect of ever-changing relationships between supply and demand on state conservation practices. This problem has presented unusual difficulties during the past 18 months, with U. S. crude oil production being severely curtailed since February of this year to the 1952 average rate of production.

1952 Production Level

The reduction of domestic crude production to the level of six years ago has been attributed to many factors such as increased use of natural gas in the energy market; the effect of the business recession on oil demands; the discontinuance of emergency shipments exported to Western Europe during the Suez crisis; burdensome and wasteful accumulation of inventories; increased U. S. productive capacity; increased production of natural gas liquids; and increased importation of foreign oil. Obviously, all of these developments have a bearing on the demand for crude oil and the level of crude production at any given time reflects the influence of such factors.

Minor S. Jameson, Jr.

While it is a fact that natural gas has supplied an increasing share of total energy and the business recession has slowed down the consumption of oil products, it is also a fact that total domestic and export demand in 1958 exceeds the demand in 1952 by more than 1,000,000 barrels daily. The increased use of natural gas and the business recession have reduced oil demands below what they otherwise would have been, but this is only a partial explanation of the current situation.

There are two principal reasons for a 1952 rate of crude production during recent months, when oil consumption shows an increase of more than 1,000,000 barrels daily since that year. Imports of crude oil and refined products have increased approximately 500,000 barrels daily, or 50% as compared with the 1952 rate. The other principal factor has been the correction of a burdensome inventory condition which has had the effect of reducing the market for domestic crude oil by at least 500,000 barrels per day. In addition to these two principal factors, production of natural gas liquids has increased by roughly 200,000 barrels daily since 1952.

Summarizing the current situation, the reduction of domestic crude oil production since February to the level of six years ago, despite an increase of more than 1,000,000 barrels daily in oil demands, can be attributed primarily to increased imports and inventory corrections. With the exception of inventories on the West Coast which continue to be excessive, further inventory corrections should no longer be a factor in the market for crude oil in other domestic areas during the months ahead.

Sees 3.2% Increase

This brief analysis of recent and current trends provides a background for the outlook for the demand for U. S. crude oil during the coming six months heating period, October, 1958 through March, 1959. This outlook is based on the demand forecasts in the April, 1958 report of the IPAA Supply and Demand Committee, taking into consideration developments since the preparation of that report. In this connection, it should be noted that the total demand for petroleum products during the second quarter of this year, according to preliminary figures, closely approximates the Committee's forecast.

The outlook for U. S. petroleum supply and demand during the 1958-59 winter period is summarized in Table I:

Based on anticipated demands for petroleum products and estimated seasonal changes in inventories, total required supply during the six-month period October, 1958 through March, 1959 is forecasted to average 9,535,000 barrels daily. Total supply includes (a) domestic crude oil production, (b) domestic production of natural gas liquids, and (c) imports of crude oil and refined products. It is significant that the forecasted total supply required from all sources of 9,535,000 barrels per day represents an increase of more than 1,000,000 barrels daily over the current supply of 8,450,000 barrels daily for the month of June, 1958.

Requirements for U. S. crude oil during this forecast period will depend on the production of natural gas liquids and on the volume of foreign oil imported into the United States. Natural gas liquids production is expected to supply about 855,000 barrels daily of the 9,535,000 barrels daily required to meet winter demands, but, under present circumstances it is not possible to determine the level of imports during the period October, 1958 through March of next year. Allocations for imports of crude oil and unfinished oils for this period have not yet been established under the Government's voluntary program. In addition, imports of finished products are not subject to allocations under that program. The matter of further restrictions on oil imports is also under consideration in the Congress.

Breaks Down Required Oil Supply

The breakdown of required U. S. oil supplies during the coming winter period, based on two assumptions as to imports, is estimated in Table II:

The level of imports under the present Government voluntary plan was estimated on the basis of continuing the policies announced to date under that plan. In both import assumptions, consideration was given to seasonal changes in fuel oil imports.

Assuming a continuation of the Government's voluntary import plan, the demand for domestic crude oil is estimated to average 7,130,000 barrels daily for the six months, October, 1958 through March, 1959. If imports were restricted to the 1954 relationship to U. S. crude oil production, as recommended in the February, 1955 report of the President's Cabinet Committee on Energy Supplies and Resources Policy, the demand for domestic crude oil is estimated to average 7,430,000 barrels daily for this six-month period. These estimated demands compare with a current crude production rate of about 6,330,000 barrels per day during the month of June, 1958.

Although the demand outlook for U. S. crude oil shows a substantial increase over recent and current depressed levels of production, a world surplus of oil continues to pose serious and difficult problems from the standpoint of both national policy and state conservation programs. The petroleum industry, the oil-producing states and the nation continue to be confronted with a basic question as to future oil and gas supplies for our expanding economy and national security. To maintain self-sufficiency as to oil and gas, policies of the Federal Government must be consistent in their objective to encourage domestic exploration and development of these essential resources so that adequate supplies will continue to be available under sound state conservation programs.

TABLE I

	Six Months Actual 1957-58 (1,000 B/D)	Oct.-March Forecast 1958-59 (1,000 B/D)	Increase (1,000 B/D)	Increase (%)
Domestic and Export Demand	9,735	9,965	230	2.3
Seasonal Reduction in Total Product Inventories	—500	—430	---	--
Total Required Supply	9,235	9,535	300	3.2

TABLE II

	Required Oil Supply Six Months October, 1958-March, 1959: Assuming Imports Under Present Gov't Program (1,000 B/D)	Assuming Imports At 1954 Ratio to Crude Production (1,000 B/D)
Domestic Crude Oil	7,130	7,430
Domestic Natural Gas Liquids	855	855
Imports, Crude and Products	1,550	1,250
Total	9,535	9,535

*An address by Mr. Jameson before Interstate Oil Compact Commission, Salt Lake City, Utah, June 25, 1958.

Reeves Adds Four

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Lloyd E. Canady, Jr., Julius D. Gilbert, William J. O'Neil and Robert J. D. Waters, Jr., have become associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Mr. Canady was formerly with H. Carroll & Co. Mr. Waters for many years was with Adams-Fastnow Company.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent belongs to a Washington country club by reason of the fact that he likes to play golf, although he can't. Anyway, a few months ago the Board of Governors decided that we should make a bid for Senators and members of Congress. The club is made up mostly of wealthy doctors, dentists, real estate men and lawyers. The members think nothing of chartering a plane and going off to Florida or Bermuda for a week-end of golf which causes a lot of social unrest with me. It practically makes me a Communist.

Anyway, the deal was to let Congressmen and Senators in, to a limited extent of 75, for $100 initiation fees whereas anyone else has to pay $750 with a tax of $150, making it $900.

Well sir, the real estate men, the dentists and the doctors and one particular man who has made a million dollars out of selling fish, were in determined opposition. Their attitude, frequently and vocally expressed, was that Congressmen and Senators were worth a dime a dozen. The fish man, expressing a contempt for any man who couldn't make a million dollars, said very articulately that he didn't know of a Congressman whom he couldn't buy.

This is the attitude, of course, that brought about fascism in Germany. I have seen too much of it in this country.

I would like to tell about four Congressmen who give this attitude the lie. They are all retiring at the end of this Congress, discouraged, I think, because they see no hope for the Republican party.

First, there is Dick Wigglesworth of Massachusetts. He is concluding 16 terms or 32 years in Congress at the age of 67. It is doubtful if the country has ever had a more able and conscientious servant.

With an independent income, he entered World War I and had battle experience. As a young lawyer, out of Harvard, he served as private secretary to Governor General Forbes of the Philippines. He served on innumerable commissions which were the aftermath of World War I. In Congress, for years he has been next to the ranking Republican on the House Appropriations Committee and the fish merchant would never understand the arduous work this has entailed. It is inconceivable in all his work that Dick would have ever made a demagogic statement to get publicity. "Time" magazine a couple of years ago had him on the cover. He was flattered and his friends were amazed that a man who always spoke in understatement would be so recognized.

I am not taking the four men I have in mind in the order of their worth in the slightest, but now we will tell about Bill Hill, lanky, raw boned member from Colorado, retiring at the end of nine terms or 18 years, at the age of 72. As the recent ranking Republican on the House Agriculture Committee, Hill has long been a conservative influence in farm legislation, has been Secretary of Agriculture Benson's greatest strength on Capitol Hill. You probably have never heard of him—he has never been a headlines hunter—and you may think we have had some very radical farm legislation. Take it from me it would have been far more radical without Hill's influence. He has never made a million dollars like my country club fish merchant, but he has prospered in his small district in real estate and insurance. He has the wholesome respect of the people in his district, a truly great representative in our democracy.

Now, there is Joe O'Hara of Minnesota, who next year would be the ranking Republican on the powerful House Interstate and Foreign Commerce Committee. A lawyer, who at the age of 63 has served nine terms or 18 years in Congress, It was hard, if not impossible to stampede O'Hara with false crusades. He always wanted the facts and was never disturbed by the hysterical cries of the crusaders, regardless of their hue. A big, heavy set, gruff man, he has the esteem of his colleagues.

I think now of the lovable, good citizen, Congressman Scudder, who is retiring at the age of 70, after five terms or 10 years in Congress. He came to Congress after 16 years in the California State Legislature. He was once mayor of his home town, Sebastopol, Calif., a man generally thought well of by his fellow citizens, and justifiably so. Always happy natured, he likes to play golf, shoots in the middle 80's and can run a younger man to death going around the course. Without seeking the headlines he has served ably.

These are a fair representation of our Congressmen, men whom the wealthy fish man could not buy for a dime a dozen, but men who have to contend with wealthy fish men and their arrogance all the time.

With Hayden, Stone

(Special to The Financial Chronicle)

BOSTON, Mass. — William M. Rackemann is now with Hayden, Stone & Co., 10 Post Office Sq.

With Central States Inv.

(Special to The Financial Chronicle)

MANSFIELD, Ohio—William J. Ward is now with Central States Investment Co., Walpark Building.

C. W. Geisel Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — James H. Ward is now affiliated with C. W. Geisel & Co., 639 South Spring Street.

J. A. Hogle Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert C. Scoville has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street.

Joins E. F. Hutton Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sanford S. Wolfe has become connected with E. F. Hutton & Company, 623 South Spring Street.

With Oscar F. Kraft

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Frederick J. Baumgarten is now associated with Oscar F. Kraft & Co., 530 West Sixth Street.

Lloyd Arnold Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Richard F. Davison and Robert E. Simmons have been added to the staff of Lloyd Arnold & Company, 364 North Camden Drive.

Management's Nightmare

By RAY R. EPPERT*

President, Burroughs Corporation, Detroit, Mich.

Necessary improvements in creative selling, challenges to sales and marketing management, growing need for men of capacity and improved business education are some of the subjects discussed by Mr. Eppert in advising how to cope with management's nightmare—rising costs, inadequate revenue and shrinking profits. Now, during these sagging times, he declares, is the time to review operations, install cost cutting equipment, research and develop for future markets, increase selling impact and streamline organization for greater productivity. Sees new jobs created from new products, at better values, aggressively sold, and believes recession will serve healthy purpose of improving ourselves so that we solve the current and future challenge of marketing by making sure that industrial progress is translated into consumer benefits.

For some months now we have had a flood of comments on the recession. We have looked at it from the front and from the back, and sideways. We have asked, is it a recession or a depression? In the immediate future can we expect a downturn, an upturn, or indeed "a sideways movement"—meaning, I take it, a movement up in some and down in others. But whatever the general picture, there is no doubt that marketing management is on the spot. And rightly so. For the fact that in this period attention is almost by reflex action turned to marketing is a good sign. It is evidence that professional marketing management is recognized as the key to business growth.


Ray R. Eppert

I do not under-estimate the importance of manufacturing. The record may be measured in the continuing increase in American gross national product. In the 75 years before World War II we doubled our output about once every 24 years. Since World War II we have been growing at a rate which promises to double output every 18 years. And let me add, the best authorities agree that this recent rate of advance can be bettered if we understand the rewards of growth and are prepared to make the necessary effort.

In this potential rise in output an opportunity confronts us—an opportunity of greater individual fulfillment. But there is a condition to its realization. An increase in output is meaningless except as we market it, and market it profitably. The corollary to mass production is mass distribution. The question I propose to ask is, can we or will we do what is necessary to insure that industrial progress is translated into consumer benefits. That is the current and future challenge of marketing.

In the past few years many things have happened to prepare us for this task. Not least is the work of the American Marketing Association. New concepts, a new philosophy of marketing have been developed to meet more complex business conditions. Most of us remember those days when distribution meant quite simply sales, whether in the form of merchandising or specialty selling. The sales force received the product from manufacturing, and the job was to place it on the shelves for selection by the customer or directly to persuade him to buy it. Perhaps it was not quite as simple as that, but my point is that we were too often production, not customer-oriented. We sought to shift the goods by hook or crook, whether or not they corresponded to the customer's needs. Our emphasis was on **our product**, not the benefits **to him.**

Now don't misunderstand me. This old-fashioned salesmanship is a highly essential quality. There is, in fact, nothing in the current situation that a good dose of it could not cure. The other day in Detroit, a few comments I made on "the hard sell" as the best anti-recession legislation were reprinted in the newspapers. And now I have a whole file of horrible examples sent in by readers to add to my own store of case histories of indifference in the salesroom or territory. With all emphasis I would say there is no substitute at any time, and particularly now, for the hard sell.

Explains New Selling Concept

What, then, is this new concept? It does not replace salesmanship. On the contrary, it applies it more effectively. It means selecting salesmen more carefully. It means training them more efficiently. It means providing prompt product service and maintenance. It means guiding them by research into market opportunities, supporting them by sales promotion, advertising and public relations. In a word, it is replacing improvisation with planning.

Salesmen feed on enthusiasm. They must be optimistic. They are interested primarily in selling what they have now. And they are confident that their powers of persuasion will close the deal. All this is good. It is indeed precisely this optimistic confidence we must instill into our sales force. Marketing management, however, cannot be completely oriented to a single and immediate objective. While they are stimulating the sales force to sell a product, they must be preparing to obsolete it. While they seek to increase revenue, they must make certain that they are increasing profits. While they are satisfying the present wants of customers, they must be studying what in future years they might want.

Able salesmen do not necessarily make good managers. The jobs require a different set of qualities. If selling is an art, marketing management is a science. The salesmen must make his calls persistently. He must allow nothing to dampen his ardor. He must be supremely confident. Belief in the product is essential for management too, but it is suicide if it obstructs product improvement or the discard of the product when obsolete. Persistence is good too, but it is dangerous if it becomes persistent in opposing necessary change. Thus, marketing management must be warmly enthusiastic and colding analytical, inspiring the sales force with pride in the product while preparing to replace it.

There was a time when all depended on persuasive selling. This, as I have stressed, must always be primary. But now more is needed. The salesman must be supported in depth. He may be personally effective, but he will be hobbled unless previously the right decisions have been made in research and development, product planning, market analysis, sales training, advertising, and so on. To the personal skills of the individual salesman we must add the depth and breadth of the organization that stands behind him.

Rising Costs

The growth in the scale of business organizations has added to our ability to do things, but it has increased the penalty of doing things wrong. In the past we could perhaps progress by way of trial and error. Today, with our increasing interdependence, with the growth in size of organizations, we cannot afford the immense waste of resources, both natural and human, that inevitably result from acts of ignorance. As the current recession has reminded us, we have added greatly to our fixed costs and raised our break-even points so that a small drop in revenue can bring a large drop in profits, or indeed, wipe them out altogether.

We have been enjoying some of the most prosperous years of our history. Some industries have suffered from the hazards of change; but in general the economy has flourished. It is true that generalizations about the behavior of corporate earnings may in the light of our current knowledge be somewhat rash; but this much is clear. Despite large increases in revenue, many of our major industries have been less profitable than before the war. And if you wish documentation of this statement, I refer you to the careful study[1] by Cottle and Whitman in a recent issue of the *Harvard Business Review*. They prove on the broad scale what most of us can document in our own enterprises, that volume is no guarantee of profits. It is impressive to read the story of the growth in gross national product, but it would be foolish to over-estimate industry's reserve strength against the effect of higher taxes and rising costs.

An important element in those rising costs is, of course, the costs of research and development. Figures for earlier years are not as accurate as more recent figures, but it has been estimated that industry more than doubled its expenditures for research and development between 1946-1953. It may well have reached $8 billion last year. To an increasing extent, research and development is becoming the motivating force of the economic process. In our own industry, where remarkable advances have been made, growth or decline is in a real sense keyed to technological innovations. But this costs money. It costs millions of dollars. In fact, Burroughs Corporation alone has spent over $38 million in the last three years in the research and development of commercial products.

Research and development is the key to future markets. Whatever the risks involved, we must take them in order to stay in the competitive race. Sales of new products, we are told, will double from 1955 to 1960, and by 1960 will account for 15% of total sales in the chemical, electrical, machinery and transport equipment industries.[2] And by 1965, of course, a much larger percentage of total sales will be products not on the market today. If we are not developing now some of those new products, we may well not be in business at all in 1965.

It is sometimes said that we have lost the risk-taking spirit of our grandfathers. I would say rather that we take fewer risks, but they are generally of vaster proportions. They could experiment from day to day and recover quickly from a false move. We may suffer the damage of a wrong decision for years afterwards. It is not surprising, therefore, that management is consistently looking for more and more data to reduce the possibilities of error. And the search for certainty is taking us into ever wider fields of knowledge. We used to think that knowledge of engineering, manufacturing, sales and finance comprised the appropriate background for business management. Today, a top management committee is likely to hear discussions which involve such diverse subjects as advanced physics, consumer motivation, human relations, international politics, and I don't know what.

Marketing Management's Growing Complexity

In small businesses one man can fairly easily keep in touch with all operations. In a larger organization it is impossible. The brilliant amateur may prosper for a while on the basis of lucky hunches. In the end he will go down before the complexity of the situation he confronts. Not the ability to do everything one's self, but the power to coordinate and plan is now essential in top management personnel. It is essential especially in marketing management. Insofar as they have assumed a place of top management responsibility, their perspective cannot be narrower than the total organization. Dominance in the competitive struggle will belong to men and organizations who use most effectively the total resources of a rounded and well-balanced team.

As the pace of competition increases, as the complexity of modern business grows, the search for men of capacity becomes more urgent. The pressure for better, even superlative performance, is increasing both in business and in the nation as a whole. We are in the midst of a technological revolution which has made us change our permanent way of life. We are testing which system is the more creative, which system best answers the hopes of millions still imprisoned by poverty. We are testing which businesses can more quickly respond to the opportunities being opened up by new techniques. To win these contests we must stretch our capacities to the utmost. This is true of our statesmen. It is true of business management, and certainly of marketing management. Marketing management has won a claim to priority in terms of its experience on the firing line. They will not deserve it fully except by the effectiveness of their behind-the-lines planning.

Business Education

How can we find and train such men? How can we ensure they have both specific skills and intellectual breadth? What educational background should they have? What experience should we provide for them? I do not pretend to have all the answers, but we must find them ever more surely. On the question of education some say that more emphasis on the liberal arts at schools and colleges is necessary. If by this is meant that our children and young men should get the essentials of education rather than the frills, I could not agree more. And by the same token let us not burden our schools and colleges with tasks of teaching those things which can better be taught elsewhere, including those subjects that can best be learned by experience and on the job, or at least concurrently with the job.

In the field specifically of business education, America has been long the pioneer. It was in this country that the various segments of the subject matter of business were first identified as fields of study. The contribution made by business schools over the past half century in the teaching of the principles of marketing, accounting, finance, labor, relations, and so forth, has been immense. And yet something has been found lacking in this academic discipline.

After World War II a new departure was therefore made at the Harvard Business School. The pattern as it had existed up to that time was changed. Abandoning to some extent the old categories of marketing, finance, accounting and the like, Harvard focused its teaching on the process of management decision as a whole in discussions of real or hypothetical business situations. Harvard was endeavoring to go beyond the training of specialists to the development of men with both detailed knowledge and broad perspective and judgment.

Thus our schools and colleges have been struggling with the changing needs of business, with the need concurrently to develop specialties and at the same time integrate them, with the need to plan for the long term, with the need of a business leadership that is aware of community and national problems, and indeed can make a constructive contribution to them.

The new relationship of business to the great issues of our day is strikingly exemplified in the international field. Parallel with the growth in American political leadership, American economic affairs have become world wide. Our export trade last year was greater in value than the total industry of non-farm building. It was as great as the sale of all steel mill products in this country. Ever more rapidly our industries are eating up our reserves of many natural resouces, with consequent increasing dependence on sources

Continued on page 27

*An address by Mr. Eppert before the American Marketing Association Conference, Harvard Business School, Cambridge, Mass.

[1] 20 Years of Corporate Earnings, by Sidney Cottle and Tate Whitman, Harvard Business Review, May-June 1958.

[2] The American Economy, Prospects for Growth in 1965 and 1975, prepared by McGraw-Hill Department of Economics, 1958.

Successful Corporate Relations With the Investment Community

By SYDNEY A. HUNT
Vice-President and Creative Director
Meldrum and Feinsmith, Inc., Cleveland, Ohio

Achievement of expeditious and readily accepted projection of industrial firms by security analysts, trust officers and the investing public directly can be accomplished, Cleveland advertising official maintains, providing skilled determination of "what" to communicate is made. Mr. Hunt proceeds to show how this can be done: advises how to handle adverse or unfavorable facts; and stresses that every corporate communication program must be concise, accurate and in good taste.

One of the most important and least understood challenges faced by industrial firms today is how to sell themselves to the investment world.


Sydney A. Hunt

The crux of the problem is the most effective combination of methods to use to communicate with the highly trained and technical minds of security analysts and trust officers, as well as with the less sophisticated investing public. Many corporations today are handicapped in any appeal to the investing world by a mental fifth column within their executive corporate thinking.

Although these executives are highly experienced and professionally competent when it relates to the sale of the company's products, they are sometimes amateurs when it comes to selling the composite corporate image, which basically is what the investor buys.

Major Problem Cited

One major problem of communication with the investment public is not communicating *to*—it is communicating *from*. Most corporate officers, with the possible exception of the president and the treasurer, are so accustomed to thinking in terms of divisions, or staffs or products that they do not see their corporation as a unit.

Furthermore, they often resist placing emphasis on aspects of their corporation which are of great interest to the professional investor because these aspects are not where the officers, in their daily administration, place the emphasis of their own efforts.

They seldom know how to present their case to the security analysts in the language and nomenclature of that group. They do not know what impression their corporation is making on the general investing public. Most important, they do not understand the determining factors which influence an investor to select one company from a myriad of companies operating in the same general field.

A crucial step in good communication techniques is the determination of *what* to communicate. Although at first glance this appears simple, actually it is extremely difficult. Involved is what corporate officers *think* the public image of their company is, what they *wish* the public image were, and finally, determining what the public image *actually* is.

Determining these three images requires technique and experience. Once this is done, the corporate officers are provided with a workable set of uniform concepts which can be used as stepping stones toward a common goal.

Assuming a basic communication format is conceived, what should it include?

Certainly not only facts and routine balance sheet figures. Substituted are certain intangible corporate assets, which are presented in a tangible way. Included in this category are forecasts and plans, personnel achievement records, corporate dividend philosophy, interpretive factors behind sales news, management attitudes toward executive succession, corporate research programs, the company's labor policy, its community relations program, and its record compared to its competitors. The secret, of course, is how these items are correlated and presented in proper perspective.

The success of presenting this data to the investing public lies in knowing what interests the professional investor and what is likely to be misinterpreted by him. Any good salesman can tell almost immediately whether a certain approach will intrigue or antagonize his customer. Few corporate officers are as confident in their approach to professional investors. They have to talk through a haze of legal restrictions, of poisoned memories from market declines, of suspicion against any company which tries to promote itself. Getting the truth across against such odds requires a delicate knowledge of what not to say and how not to say it, as well as what to say and how to say it.

Handling Adverse Facts

Adverse and unfavorable facts should never be concealed. However, certain techniques have been developed which can be used to present these facts concisely and in their proper relation to the entire corporate picture. The records show that a proper explanation of adverse news tends to increase investor interest, while omission, minimizing, or concealment of such news erodes confidence in the corporation and its officials. These latter actions almost always are interpreted as a sign of weakness.

There is one classic example in which a publicity story was released stating that a company sold some low profit facilities for a good price and reinvested in the high profit end of a certain operation. Due to space requirements, parts of the story were deleted by the papers so that only the sale was emphasized. The story looked like an admission of failure by the management. Quick follow-up with the entire message in a carefully designed advertisement where the wording could be controlled, turned the adverse publicity into an advantage by pointing out management's purpose in the sale.

Psychological Area

One of the more difficult sectors of this communications field is that of the psychological area. Here, documented and backed up by case histories, are prevalent and contradictory attitudes in financial and investment circles, geographical prejudices, and an analysis of reactions to various types of corporate advertisements. The advertisements are classified as to both emotional and intellectual appeal.

Separating the emotional from intellectual entails a thorough knowledge of the audience. Professional readers disclaim any influence by emotion. But this actually is not so. Their emotional reactions are different from the less sophisticated public's, but nevertheless, they do have strong emotional reactions. For instance, trust officers are subject to numerous lawsuits, even when they have handled their client's portfolios well and created a capital growth. They frequently are challenged because they did not create a greater growth. Anticipation of this occupational hazard instills a manner of thinking regarding the lesser-known stocks in their portfolios which effects a distinct, almost predictable reaction against shares from corporation with certain characteristics. If the corporate officers recognize these characteristics and are accurately guided through the emotional reactions of trust officers regarding these characteristics, they will have a distinct advantage over other companies in their classification.

The communication analysis also documents the use, in specific cases, of color and design as valuable adjuncts to a proper presentation of corporate advertisements.

One last word. In every corporate communications program, the pervading theme or goal must be conciseness, accuracy, and good taste.

Wilbur Hess to Open Own Invest. Firm

HOUSTON, Texas — Wilbur E. Hess announced July 15 that he had withdrawn his interests from the firm of Fridley, Hess & Frederking and had organized a new firm to be known as Hess & Company, which will open offices August 1st at 1130 Texas National Bank Building.


Wilbur E. Hess

Mr. Hess has been engaged in investment banking since 1935. He was a partner in the firm of Charles B. White & Company from 1937 until 1943, when he left to serve in the U. S. Navy. Upon his return from military duty in 1946, the firm of Fridley & Hess was formed, which became Fridley, Hess & Frederking in 1955. This association was terminated by the recent withdrawal of Mr. Hess and the formation of Hess & Company.

Mr. Hess is a member of the Investment Bankers Association, where he is now serving on two committees. Among the civic groups in which he is active are the Chamber of Commerce and the Rice Institute Associates. He is well known in tennis circles, having won various titles in the United States and Canada in the 1930's. In recent years he has devoted much of his time to various types of youth work, including the Boy Scouts of America and the Tennis Educational Foundation of the United States Lawn Tennis Assn.

Form J. B. Coburn Assoc.

J. B. Coburn Associates, Inc. has been formed with offices at 55 Broadway, New York City, to engage in a securities business. James Cohen is a principal of the firm.

Now With Paradise

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Berenice F. Chinberg is now with Paradise Securities Company, 9477 Brighton Way. Miss Chinberg was previously with Daniel Reeves & Co.

Forecasts Record High Construction in 1958

Estimated new construction for first half of 1958 is reported to be $8 million more than the corresponding figure in 1957 and is cited to support view that this crucially significant industry, as in 1949 and 1954, has again been the bulwark supporting our sagging economy and helping to lead it to recovery. Associated General Contractors of America official lists indications why construction is expected to reach new record this year and avers there's no better time to build than now.

The recession from which the country is now emerging provides another striking demonstration of the economic bolstering power of the construction industry, James D. Marshall, of Washington, D. C., Executive Director of The Associated General Contractors of America, said at Duluth, Minn., on July 3.


James D. Marshall

"As in the recessions of 1949 and 1954, the construction industry this year has again been a bulwark of strength to a sagging economy and has helped to lead the way to recovery," Mr. Marshall told a news conference which preceded a meeting of the board of directors of the AGC of Minnesota, a chapter of the national association.

"The dollar volume of construction activity has continued to hold up this year, despite the general recession. Since the construction industry is the country's largest production activity, accounting for more than one-seventh of the gross national product and a similar proportion of total employment, directly and indirectly, the sustained high volume of construction exerted a powerful influence on the rest of the economy.

"Construction operations naturally are of great importance to producers of materials, equipment and supplies, to transportation, and to the nation's labor force. For example, the American Iron and Steel Institute reported about two weeks ago that 'increased construction activity helped boost finished steel shipments during May.' The construction industry is the largest consumer of steel products, and in fact uses more materials in all than any other industry."

Mr. Marshall said the total volume of all construction activity in 1957 amounted to more than $66 billion, consisting of $48.5 billion in new construction and about $18 billion in maintenance and repair work. The total of $48.5 billion for new construction represents a recent revision by the Departments of Commerce and Labor which increased the figure by more than $1 billion from the preliminary total of $47.3 billion announced earlier.

"So far this year," Mr. Marshall continued, "the dollar volume of construction has kept pace with the record rate of last year. The total of new construction for the first six months of 1958, according to preliminary estimates by the Departments of Commerce and Labor, amounted to $22,066,000,000, which is $8 million more than the figure for the first half of 1957.

Expect Record High Contruction In 1958

"If construction is to reach a new record this year, the gains will have to be made in the last half. There are several indications that this is likely to take place.

"*First*, if the expected upturn in general economic activity follows the present leveling-off period, construction should resume the steady rise which has characterized the industry since the end of the war in 1945.

"*Second*, The Associated General Contractors of America in early June conducted a telegraphic survey of construction activity among its 125 chapters and branches throughout the country, and the preponderance of replies indicated that construction volume will rise during the rest of the year in most areas and remain at least normal in others.

"*Third*, contracts for future construction give strong support to the belief of most AGC chapter executives that activity will increase during the rest of the year. Construction contracts compiled by the F. W. Dodge Corp. totaled $3,402,575,000 in May, the highest figure ever reported for any single month. This followed a highly encouraging increase in contracts in April. The rise in contracts means, of course, that the volume of construction activity will expand in coming months.

"*Fourth*, an upturn in the rate of residential construction is taking place, after more than two years of reduced activity in homebuilding. Residential construction normally accounts for about a third of total construction activity.

"*Fifth*, the pace of highway construction is being stepped up steadily as the long-range highway program authorized by Congress in 1956 begins to get into full swing."

Mr. Marshall recalled that earlier in the year the AGC was requested to tell what construction could do to promote economic recovery at two conferences, one called by the Secretary of Labor and the other by the United States Chamber of Commerce. The AGC at those conferences said the new emergency highway proposal then before Congress, providing for stepping up highway construction, would accomplish more than anything else to increase employment. The bill was subsequently passed, and already, Mr. Marshall said, it has given evidence of bearing out expectations of increased employment.

No Better Time to Build

Recovery from the recession can be further speeded, Mr. Marshall said, by placing current public and private construction projects under contract and executing them with increased vigor. The AGC official pointed out, as reasons why it is advantageous to build now, that financing is available at reasonable rates, materials are in good supply, skilled labor is plentiful and more productive, contractors' profit margins are small, and construction costs will probably continue to rise in the future.

The construction industry itself can help further to speed the upturn, Mr. Marshall said, by modernizing its plant and equipment, by insisting on realistic equipment depreciation schedules for Federal taxes, by pushing local projects (such as urban renewal, schools, churches, hospitals, private residential building, highways and water and sewer facilities), and by "more resistance at the bargaining table" to keep industry prices down.

Now With Dean Witter

(Special to The Financial Chronicle)

STOCKTON, Calif. — Daniel H. Farny is now with Dean Witter & Co., 16 North San Joaquin Street.

Neo-Renaissance in Europe and Its Importance to Our Future

By KARL D. PETTIT
Karl D. Pettit & Co., New York City

Lessons learned from recent first hand observation of awakening economic giant of Europe include the warning for us that we must shed our complacency resting on past accomplishments and intensively plan to participate fully in tomorrow's future of competitive world trade or lose out with economic isolationism that is already dead. Impressed by increasing vitality of steadily freer and more liberal economies abroad, Mr. Pettit relays what this means to investment managers and investors.

The economic giant of Europe has at last stirred and the message to us is clear—Wake Up America! This is the vivid impression I carry with me from my recent European trip.

Karl D. Pettit

During the past decade our energy, inventive genius and financial strength have been concentrated on military preparation for a potential hot war. In this same period our friends and enemies alike have concentrated most of their energies and strength on preparation for economic survival. For example, Holland, Belgium, England and France have been withdrawing and contracting their armies. Germany, of course, has had negligible expenditures for defense, whereas our direct defense costs are 11% of Gross National Product—our biggest business. Russia in turn has concentrated on capital goods expenditures but recently has changed emphasis to the new Khrushchev line — "We will bury you economically"—meaning us.

Field Marshal Montgomery states bluntly, "The West has won the cold war in the military sense —but, survival in the coming ten years will depend on whether it can win the economic campaign."

European Renaissance

Everywhere during my trip the Economic Renaissance in Europe has been dramatically evident: Talks with bankers, industrialists, economic leaders; attitudes of labor; political trends; business and trade developments.

The strict emphasis on education coupled with age old ambitions induces this economic development. It is rising like a giant tidal wave. It expresses a will to survive, a desire to make a worthy contribution, the acceptance of a challenge for leadership.

Finance

In London, bankers are financing aggressive new projects. One banker had just completed underwriting a new Dunlop rubber plant outside of Moscow which will be the latest word in technology—staffed and built by outstanding and capable European talent. Many other similar projects are in the early stages of promotion.

In France, bankers are thinking and planning in terms of buying raw materials from Russia—these implications must be appraised. Furthermore, during the past seven months foreign gold withdrawals have been unusually large from our vast holdings, and bankers in all European financial centers state that Russia "pays on the nail head" in gold. These acts and their implications must also be weighed.

Labor

The Marxian doctrines' influence on labor is gradually diminishing. The Fabian branch of socialism, once supported by vast numbers of intellectuals, is gradually melting before the daily results of free enterprise. The philosophy of "something for nothing" is dying. One banker in London mentioned, as an excellent illustration, the recent railway strike in England. After several weeks of negotiation a 3% increase was granted, but with a firm agreement that labor would increase production, eliminate "feather bedding," cut expenses, and co-operate fully with management to create an increase in productivity. Even in our enlightened and free economic climate, labor has not yet evinced such understanding or offered such practical and realistic co-operation.

Political

In Paris at the time of the "Gaullist Coup" a French banker was positive in regard to the acceleration of the Renaissance — observing that all over Europe the trend is towards more conservative governments and away from Communism and Socialistic experiments. Later in the discussion he emphasized: "after World War II free enterprise was immediately adopted by Germany, then by Belgium and one by one the other nations of Europe are falling in line for freedom and practical results versus a theoretical dream called Communism. The trial of a brand of Marxian doctrine in England failed—the trial of free enterprise in Germany is a brilliant success."

Indeed, the very success of free enterprise in Germany, a country so badly beaten, has had a tremendous impact on European thinking, and in the appraisal of the American economic system.

In such a new political climate the strength and capabilities of European businesses are sure to thrive and capture world markets. It is high time our own government changed direction from harassment of business and industry to active promotion and true co-operation. Further they should understand that the vicious anti-American propaganda outside our borders may have been induced by our own attitudes and acts. For example, it is a real shock to straight thinkers to witness our Congress cutting back some 20% on foreign aid which totals only $35 annually per capita over the past ten years when this aid has probably been the best buy America has ever made. As our Representatives, Congress too must wake up!

Business

The interest and enthusiasm towards the new *European Economic Community* is reviving the old competitive instincts of business in Europe. An industrialist in Spain noted that Italy had been going through a massive remodeling of their industrial system during the last year and a half, in preparation for the official opening of the common market—Jan. 1, 1959.

In Sweden, a high placed financier observed the sincerity with which the six O.E.E.C. nations were approaching their new market commitments by citing a proposal that is to be made during July by Bonn of mutual tariff cuts of 10% by all of the nations of the European Economic Community.

This economic renaissance is a tremendous victory for American social and economic philosophy—as free enterprise has suddenly become practical, rational — and even exciting.

This awakening, however, will be accompanied by important new conditions and challenges for the American economy.

The Importance of the Renaissance To the American Economy

These indications of economic revival witnessed on my recent European trip should receive our unanimous approval for:

Greater trade can be developed with more advanced countries (example—England).

Better relations with our friends will result — as today's gap between our and their standards of living narrows.

These benefits, however, are accompanied by the real danger of complacency on our part as we tend to emphasize the accomplishments of our forefathers rather than planning intensively for the competitive future.

The past growth of our country has been primarily an internal one, whereas with other economic powers the growth has come from foreign trade.

Even today we export only some 5% of our national product. Compare this with 11% for France and even more for other EEC countries.

In the future we must grow with the world community, and meet the calibre of our competition. Past economic isolationism is dead.

Let's look at the competition in the near future.

Europe is undergoing a revival of her *"esprit de corps"* accompanied by general toughening of their economic objectives — the push is for high standards of living.

By deciding for a gradual abandonment of traditional boundaries, the Organization of European Economic Community is emerging as a giant.

The Soviet Union with its growing industrial potential — steel production and electric power production — and her politically aimed trade aggressiveness is offering help to all our friends and allies, and according to Edward L. Ryerson, retired Chairman of Inland Steel Co., "Russia may soon be producing enough steel to even try to sell some to the United States." To this he adds, "The Soviets have as great a technical knowledge in iron and steel making as we do."

Unquestionably their giant strides in steel making capacity is part of their overall plan for economic war. To their records in steel, we might also add that current reports state they have contracted to ship 400,000 tons of oil to the Argentine by the end of this year—another indication of a growing trend.

In world trade our competitors will have the important advantages of rapidly improving per manhour production (due to our postwar economic program) and tremendously lower average wage rates.

These economic blocks are formidable and over the shorter period will test our every resource and ingenuity—note the troubles of the textile producers, automobile manufacturers, movie industry, etc. In the long run, however, competition and improving standards of living can only lead to a better life—but in the interim, we must accelerate our education, effort and productivity if we are to participate fully in the better life we have had such an important part in creating.

Conclusion

The economic renaissance of Europe is a fact,. It is abundantly clear to any visitor at the World's Fair. Our challenge is also clear. We must participate fully and lead in the new economic revival we have created.

To the investment managers, it means constant alert attention to those industries in which we have technological leadership, favorable and low cost labor percentages, plus able, forward-looking and courageous managers.

To the investor, it means his vision must be global with the full understanding that the world is on the threshold of probably its greatest epoch of growth and expansion.

The preparation for this explosive period has been under way for some ten years—in the near future this preparatory phase may be ending. Then world economic campaigns will enter their most exciting battles—the competition will be intense—the rewards high and to survive we who have been the leaders in the fight for freedom and free enterprise must reassert and prove our right to lead.

GROSS NATIONAL PRODUCT (1956)

	Total G.N.P. (Bills $)	Population (Millions)	G.N.P. P/Capita ($)
France	52.0	43.3	1,200
Germany	42.9	50.0	858
Italy	23.0	48.0	479
Belgium & Lux.	9.9	9.2	1,076
Holland	8.2	10.7	766
Total E.E.C.	136.0	161.2	Average 845
U. S. A.	426.0	165.2	2,579

DIRECT INVESTMENT, EARNINGS AND RATE OF RETURN OF U. S. COMPANIES

	Total Direct Investment (Million $)	Earnings (Million $)	Rate of Return %
Belgium	150	19	12.7
France	426	51	12.0
Germany	424	53	12.5
Italy	204	22	10.8
Netherlands	182	19	10.4
Total E.E.C.	1,386	164	Average 11.8

This suggests that more advanced countries are offering more profitable market for American investments.

$2.8 Billion Federal Deficit for Fiscal 1958

January, 1958, estimates of Federal budget totals for fiscal year ending 6 months later shows spending, revenue and deficit projections were wide of their mark.

A joint statement by Robert B. Anderson, Secretary of the Treasury, and Maurice H. Stans, Director of the Bureau of the Budget, shows previously estimated and the actual Federal budget for the fiscal year 1958.

Both receipts and expenditures for the fiscal year 1958, which ended last June 30, were less than had been estimated in the budget last January, according to the preliminary year-end reports shown in the monthly budget statement for June.

$2.8 Billion Budget Deficit

Receipts were $69.1 billion, and expenditures were $71.9 billion, resulting in a budget deficit of $2.8 billion. In January, a deficit of $0.4 billion had been estimated.

The results for fiscal year 1958 as compared with January estimates and with results for 1956 and 1957 are shown in the following table. The figures are based on preliminary reports and are subject to later revision.

BUDGET TOTALS
(Fiscal years. In billions)

	1956 Actual	1957 Actual	1958 Jan. Est.	1958 Actual
Receipts	$68.2	$71.0	$72.4	$69.1
Expenditures	66.5	69.4	72.8	71.9
Surplus (+) or deficit (—)	+1.6	+1.6	—0.4	—2.8

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market's rally to the best prices seen in nearly a year was at least momentarily halted this week by profit-taking but without giving the list much of a setback after its nearly straight-line advance since mid-May.

* * *

In the process the industrial average worked back into the 500 bracket which was reached in 1956 and again last year until the fall selling carried it below that level.

* * *

It marked something of a pickup in the profit-taking tempo since on several occasions realizing had made its appearance but new-found strength in different groups was able to keep the uphill progress going while the tired favorites rested.

* * *

Specifically, the rally had carried the industrials to a point where some 80 of the 100 points sheared in last fall's selling had been recouped. The vigor of the upturn had cheered the market spectators to where a new high for the industrial average was being predicted widely. The pickup in selling this week served as notice that the last score of points wasn't going to be negotiated without more resistance than has been encountered so far.

* * *

The swift rise of the market, particularly through this month, had generated much caution and shifted emphasis away from the stocks that already had had a good run to those that hadn't participated so far in the fast climb.

A Capital Gain Prospect

Raytheon, which was a recent market feature before quieting down, showed gains of more than half again as much in the June quarter and the half year earnings to justify its runup. The issue was something of an exception to the general run in that it was still held in high regard in many circles for continued improvement and the promise of capital gains.

* * *

The income of $1.29 a share for the first half made earlier projections of 1958 results of $2.50 a share seem a bit conservative and while it was selling around a 14-times-earnings basis, based on this year's estimates, the longer projections indicated that it was still available at a much more satisfactory eight-times 1959 potential earnings.

* * *

The position of Raytheon, and other electronic firms, in the missile-radar work, is in marked change to the immediate postwar era when television was held as the big item and other lines were dismissed with a shrug. The collapse of the TV bubble depressed the issues thoroughly and their turn to more basic work has lifted their operating results considerably.

Interesting Counter Market Items

Some of the electronics items in the counter market were regarded as even more attractive since they haven't had to contend with general listed market enthusiasm. Collins Radio, for instance, has been available at around half of the 1956 peak while Raytheon has been forging to new highs. Collins did have to omit its dividend a month ago but the worst seems to be over since the company reports its backlog increasing, operations well in the black and civilian sales showing good gains.

* * *

Packard Bell Electronics is another over-the-counter item that has shifted from the disappointing television field to the promising technical products industry. As a result, sales last year were back to the record level attained five years ago before the television dream faded sharply. The stock, however, is still available at only about three-fourths of the price it commanded in the record year. The company, as far as television today is concerned, concentrates on the west coast, and if color television does become any important market factor it will have a regional market position from which to profit.

* * *

The so-called "amusement" stocks have lost none of their vitality because of the recession and some, such as Brunswick - Balke - Collender, are still considered available at reasonable ratios against earnings. Brunswick, on earnings projections to around $6.50 a share for this year, is at a seven - times - earnings level although all its lines report good business. The bowling alley pinspotters are still in high demand and shipments this year are expected to run 1,500 to 2,000 more units than the 7,000 achieved last year. Orders for school furniture and gymnasium equipment are also reported on the upgrade.

Hammermill and Rayonier

A depressed item that has a bit of an alibi for itself, is Hammermill Paper which has been showing signs of wanting to rebound after falling to less than half of last year's top price. A good part of Hammermill's lack of popularity is its large bundle of Rayonier stock on which dividends were cut twice which, in turn, prompted Hammermill to pare its own payment. Rayonier itself has been showing recovery tendencies to enhance Hammermill's investment, and it enabled the latter to break out on the topside after holding in a range of only a bit more than three points for most of the half year.

* * *

Hammermill's own operations aren't overly bright at the moment, continuing the drab results of last year. Last year, however, was complicated by a strike, heavy expansion expenses and the contraction in its investment income. With the inventories of its customers well depleted, Hammermill is a candidate for a good upturn in business in the fall when its cost-cutting program will also start to take hold. The company is obviously encouraged over the outlook since it is committed to a three-year modernization and expansion plan that will include doubling pulp capacity, among other things.

Drugs Improve

The drug shares, bolstered by their good earnings reports, were able to do better even when the general stock market was faltering. In this group Plough, Inc., has been somewhat backward and a good measure of this stems from its low dividend payout. The company, however, is regarded as a candidate for more liberal dividend action since the 60-cent payment is expected to be well covered by earnings of around $2 a share on a good increase in sales. The company is currently about the most merger-minded of the drug shares and is reported to be still searching for likely acquisitions on top of the several added in recent years. One of the latest acquisitions, Coppertone in the sun tan lotion field, is reportedly showing sales double those of a year ago and its other proprietary preparations are also showing good sales gains, pointing to a record year overall.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

With A. M. Christensen

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — Louis E. Williams, Jr., is with Ansgar M. Christensen, Jr., 1417A Kennett Road.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — Harold Thudium has been added to the staff of Dempsey-Tegeler & Co., Security Building.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Robert M. Gardiner

We are pleased to report that our good friend Robert M. Gardiner of Reynolds & Co., New York City, has again favored us with a half page advertisement for our Year Book Convention Supplement of the FINANCIAL CHRONICLE. We are all most appreciative of this handsome support.

ALFRED TISCH, Chairman
National Advertising Committee
c/o Fitzgerald & Company
40 Wall St., New York 5, N.Y.

Alfred F. Tisch

Continued from page 2

The Security I Like Best

writer is his terse, factual comment anent the results of drilling, exploration, etc. by lessees. Pertinent examples appear in his report relative to drilling by Humble Oil (subsidiary of S. O. of New Jersey) and a mining lease granted to Anaconda Copper.

In May, 1955 New Mexico and Arizona granted a lease to the Tide Water Associated Oil Co. covering the exploration and mining, if found, for uranium, thorium and associated mineral-bearing ores in 250,000 acres in 10 separate areas in all tracts of the company except the San Juan tract. The lease requires the payment to the company of a cash bonus of $300,000, and the expenditure by the lessee, within two years from the date of the lease, of not less than $400,000 on actual search, prospecting and exploration, and up to $400,000 for mining. Also *of significance:* "New Mexico and Arizona has the option to *participate as a 50% partner* in the mining of any unit, or to receive royalties based on settlement assays."

Continuing his factual remarks, President Hungerford in the 1956 annual report, stated that Tidewater Oil "pursued an orderly and thorough exploration program through 1956, having drilled 298 test holes, aggregating 137,191 feet without the discovery of uranium bearing ore in commercial quantities."

Notwithstanding, Mr. Hungerford in his 1957 report (under date of March 1, 1958) stated that the Tidewater Oil release which expired on May 19, 1957 "*was renewed* for a period of 18 months . . . and that Lessee continues its exploration, but without discovery of uranium exide ore in commercial quantities."

In 1954 a uranium mining lease covering 101,000 acres in the Winslow and Holbrook Tracts in Coconino, Navajo and Apache Counties, Arizona, was granted to a syndicate of important financial people known as Charles P. McGaha, et al. In New Mexico and Arizona's 1956 report it was recorded that this syndicate surrendered its leased acreage "reportedly because of no ore in commercial quantities had been found as a result of exploration efforts." The writer, however, understands, that while the McGaha Syndicate quit after an expenditure of around $100,000 for exploration it was mainly because further financial outlay would involve considerably more than the syndicate cared to put up, but that the exploration undertaken gave every indication that, colloquially speaking, "Thar was gold in them there hills."

New Mexico and Arizona in the 1956 annual reported that a drilling agreement was entered into with Sinclair Oil and Gas Co. and Sunray - Midcontinent Oil Co., jointly covering 17,269 acres of the San Juan, N. M., Tract. The lease provides for the drilling of two test wells, on completion of which an oil and gas lease covering a three-quarters interest in the lands will be delivered lessee, the New Mexico and Arizona Co., retaining a one - fourth interest. The 1957 report, re the foregoing says: "As provided for in the lease, two oil and gas test wells were drilled during the year, at no cost to this company, without discovery of oil or gas in paying quantities. Oil and gas lease with the same companies continues."

The writer, as regards a speculation in NZ stock, realizes that to date there has been mainly smoke and no fire, but the smoke in the neighborhood of NZ tracts does appear to be increasing in intensity. So much so that the writer detects semi-optimism in President Hungerford's report on March 1, 1958. Consider this unusual paragraph after years of just factual reporting:

"During the year (1957) there was considerable activity by various interests in securing leases on all unleased State and Federal lands in Northeastern Arizona, considered to be in the so-called Black Mesa Basin. The company owns approximately 700,000 acres (in fee and mineral rights) in the area indicated, and should benefit from any exploration resulting therefrom."

To conclude: At the annual NZ stockholders meeting in St. Louis held on June 11 last Vice-President R. J. Stone said the company is negotiating three oil leases involving approximately 50,000 acres in Northeastern Arizona, although the leases with four or five oil companies have not as yet been signed.

No dividends have been paid on NZ since a 25 cents a share declaration in 1953. Principal income is grazing land rentals. Net income in 1957 was $85,375, equivalent to 8½ cents a share.

Mr. Stone, re dividends, pointed out that it would be advantageous for the company to hold on to its cash resources "*in the event of a major oil or uranium find on its properties.*"

Joins H. Carroll

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Petter H. Svenkerud has joined the staff of H. Carroll & Co., 324 North Camden Drive.

Economics of Disarmament

By PAUL EINZIG

The point is made that disarmament and demobilization for the Soviet Bloc would free a greater amount of men and productive capacity for swift production of civilian goods and exportable surplus; provide an economic advantage which the Western countries could not overcome until their slower, more painful transition period is completed; and leave unaltered relative military strength. In exchange for inherent Soviet Bloc superior economic advantage, Dr. Einzig advises we should insist on certain major political concessions, which he specifies, for "otherwise the present state of uneasy equilibrium would be replaced by a state of uneasy disequilibrium, with the balance of gains in favor of the Communist World."

LONDON, Eng. — Although it would be premature to envisage the possibility of a disarmament agreement should there be a meeting of heads of State, it is not without interest to examine the economic consequences of such an agreement. There can be no doubt that it would affect a number of industries engaged in arms production, and also the producers of raw materials required by those industries. Before the war such a change might have initiated a deflationary spiral of first-rate importance. In existing circumstances there is no reason why expansion should not be resumed after a painful period of readjustment. The productive capacity released by the curtailment of aircraft production and of the production of various other war materials would gradually be applied for an increased production of capital goods and consumer goods, for the greater benefit of mankind.

Dr. Paul Einzig

Unfortunately that period of readjustment is bound to be a slower and more painful process in the free countries than in countries with planned totalitarian economies. In the latter countries productive capacity could be reallocated by the central authority. In Western countries, on the other hand, the absorption of labor released through a disarmament agreement would necessarily be a gradual process. For one thing the temporary unemployment and the curtailment of profits in a large number of industries would reduce demand for both consumer goods and capital goods, so that there would be no immediate incentive for the expansion of civilian production to take the place of the reduction of arms production. Indeed, there is a possibility of disarmament being accompanied by a temporary curtailment of the production of civilian goods, in addition to the curtailment of the production of arms.

It is therefore evident that from an economic point of view the Soviet Union and the countries of the Communist Bloc stand to gain more through disarmament than the free countries. This does not mean that it is against the interests of the latter to agree to disarmament. Provided that the application of the agreement can be controlled effectively, and provided that there would be other political safeguards, the political advantages of a relaxation of international tension would heavily outweigh economic considerations.

Even from an economic point of view the free countries stand to benefit greatly in the long run, after a painful transitional period. But, in view of the fact that the immediate economic gains would be much greater for the Communist countries than for the free countries, the latter are in a position to drive a hard bargain in respect of the terms of the control of disarmament. Since the Soviet Union stands to gain economically more than the United States or Britain, it is to the interests of Mr. Khrushchev to meet the demands of the Wesern countries.

Owing to the immense superiority of the Communist Bloc in conventional weapons, its disarmament in the same proportion as by the free countries would mean the demobilization of much larger numbers of men and the release of much more productive capacity. For each battalion the free countries disarm the Communist Bloc could afford to disarm a brigade or even a division, without altering the relative armed strength of the two camps. This means that for each 100,000 men to be released for productive purposes in the free countries the Communist countries could release 500,000 men or even 1,000,000 without weakening their relative military strength. Much larger productive capacity would be released and would become available for civilian purposes.

Greater Economic Benefit for Union of Soviet Socialist Republic

For this reason alone it is more important from an economic point of view for the Soviet Union than for the free countries to achieve a disarmament agreement. This is a consideration which should not be forgotten by the negotiators of the free countries.

Nor should the possibility that the Soviet Union will employ for the purposes of an economic cold war the productive capacity thus to be released be overlooked. Instead of employing this productive capacity for raising the standard of living of the Soviet people and their enslaved satellites, it might be used for producing large exportable surpluses with the aid of which the Soviet Union would be able to engage in cut-throat competition on a gigantic scale. By throwing large quantities of goods at greatly reduced prices on certain markets, the Soviet Government would be in a position to inflict heavy losses on producers of the free countries. Considerations of profit do not arise in a Communist country, and its government is well in a position to sell certain goods at a considerable loss over a prolonged period.

This may appear to be beneficial to the importing countries, but once the rival industries are ruined the Soviet Government would endeavor to make good earlier losses by charging very high prices, taking full advantage of its monopolistic position.

In pointing out the possibility of such dumping I am not arguing against disarmament. What I think is important is that Governments and public opinion in the free countries should realize the immense difference between the economic advantages that would be gained by the two groups of countries. The free countries should not be tempted by the relatively moderate economic advantages they stand to gain into agreeing to disarmament on terms which do not adequately safeguard their security. In addition to insisting on effective control, they should make the reunification of Germany and the liberation of the enslaved satellite countries the condition of their acceptance to disarmament.

The economic advantages that the Soviet Union stands to gain through disarmament are so immensely superior to the economic advantages that the Western world stands to gain that it is reasonable to expect the Soviet Government to pay for the difference by agreeing to major political concessions. It is only if disarmament is effected on conditions that genuinely reduce the risk of Communist aggression that it is worth while for the Western countries to put up with the economic disadvantages of disarmament. Otherwise the present state of uneasy equilibrium would be replaced by a state of uneasy disequilibrium, with the balance of gains in favor of the Communist world.

$40 Million Issue of Los Angeles School Bonds Underwritten

Bank of America N. T. & S. A. heads an underwriting syndicate which purchased July 29, $40,000,000 of Los Angeles, Cal. 3½% School District bonds. For $28,000,000 of High School and City School District Bonds, the group's bid resulted in a net interest cost of 3.37% to the city, and for $2,000,000 of Junior College District bonds the bid meant a net interest cost of 3.38%.

Due Sept. 1, 1959 to 1983, inclusive, the bonds are being reoffered at prices to yield from 1% to 3.50%, according to maturity.

The offering syndicate was formed by the merger of two groups — one headed by Bank of America, the other by Chase Manhattan Bank, which is serving as co-manager of the consolidated group.

Other members of the offering syndicate include: The First National City Bank of New York; Bankers Trust Company; Bank of America N. T. & S. A.; Guaranty Trust Company of New York; Chemical Corn Exchange Bank; Harris Trust and Savings Bank; The First Boston Corporation.

Blyth & Co., Inc.; Smith, Barney & Co.; C. J. Devine & Co.; The Northern Trust Company; Continental Illinois National Bank and Trust Company of Chicago; Drexel & Co.; Merrill Lynch, Pierce, Fenner & Smith.

Security-First National Bank; American Trust Company San Francisco; California Bank of Los Angeles; R. H. Moulton & Company; The First National Bank of Portland, Oregon; Seattle-First National Bank; R. W. Pressprich & Co.; The Philadelphia National Bank; Equitable Securities Corporation.

Dean Witter & Co.; William R. Staats & Co.; Reynolds & Co.; J. Barth & Co., and Ladenburg, Thalmann & Co.

Shuman, Agnew Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William J. Carroll is now connected with Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

Sutro Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leonard J. Grassman has been added to the staff of Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

In a recent release of one of the leading insurance statistical services, Alfred M. Best Company, there is brought out very clearly the break-down of statutory results for 1957 by lines of writings.

The line that brought the greatest statutory loss to the industry so far as stock carriers are concerned, was automobile bodily injury liability. This line accounted for about 16.7% of total earned premiums (of approximately $8,325,000,000) and the loss ratio of $226,429,000 was some 16.3%. Automobile property damage, extended coverage and automobile fire and theft came along in that order.

It is to be noted that the automobile lines were the worst performers. To bring out the magnitude of the statutory loss in automobile bodily injury, this line in 1957 showed earned premiums of $1,390,000,000 and losses (including loss adjustment expenses) of $226,429,000. The fire line reported earned premiums of $1,327,010,000, only 4½% below the figure of bodily injury, yet the respective loss ratios were 16.3% and 1.4%.

While, as pointed out here several weeks ago, numerous rate increases have been granted by a number of the states to countervail the heavy loss trend that set in in 1955 and has sharply worsened since then, the increases are, first, inadequate in aggregate, and, secondly do not become effective without a considerable time lag due to policies being still outstanding at the old lower rates.

It might also be added that some of the more important states have refused increases, an example being New York, where over-all volume probably runs to 15% or 16% of country-wide premium volume.

Rate increases alone will not solve the carriers' problems. Probably so far as the motor vehicle lines are concerned we need stiff campaigns such as that instituted by the Governor of Connecticut, where the car operator with a record of recurring accidents is ruled off the roads for long enough periods to make accidents and faulty driving habits an expensive pastime in this age of the much needed motor car. Other states have copied the Connecticut departure.

A factor affecting insurance company earnings may develop in the near future and ought to be watched. The Mid-East crisis, if it becomes worse, may well require the use of men and equipment to an extent that will greatly increase our budget deficit. The consequent inflation coming out of such a state of affairs can never be said to mean anything but bad news to the insurance companies. They learned that in 1945, 1946 and 1947 during that period of inflation. We know how costly Korea was and how it threw off our budget and led generally to higher prices and inflation.

The present Mid-East affair can become even more costly than Korea as equipping forces today is far more costly than it was even as recently as Korea. The inflating price structure of the post World War II era brought a slow increase in volume of business. The average person is rather slow in bringing his coverage up to current value, and during the period of inflation he delayed to the point where many property owners were grossly under-insured. Inadequate coverage, indeed, is today one of the bad spots in the industry. If most owners of personal and real property and vehicles were to bring their coverage up to meet their loss potential, it would help solve some of the industry's problems.

It is a big mistake to be under-insured, particularly in states where clauses such as the co-insurance provision prevail, and of course much of the under-insurance comes about because of failure to keep coverage in step with the inflation surge in the 1940's.

So far as fire and casualty stocks are concerned this department still sees no reason for them to advance in price. This excepts some of the specialty companies whose results underwritingwise havebeen favorable. Fire losses continue higher and repair work on cars with insurance claims is very high. As to jury verdicts, a recent issue of the "Wall Street Journal" related a case in which an injured workman sued an insurance company for a sizable sum, something over $100,000. The jury awarded him the amount sued for, but the judge voided the verdict as being excessive. In the second trial of the case a different jury gave a verdict of $250,000, which was final!

Jos. Masek Partner In M. H. Bishop Co.

MINNEAPOLIS, Minn.—Joseph E. Masek has been admitted to partnership in M. H. Bishop & Co., Northwestern Bank Building, members of the Midwest Stock Exchange. Mr. Masek began his career in the investment business in 1927 with the trading department of the Chicago office of the Guaranty Trust Company of New York. In 1934 he joined Charles A. Fuller Company in Minneapolis to organize their trading department. During World War II Mr. Masek served in the United States Naval Reserve as an officer for two years. After Mr. Fuller's retirement from the investment business in 1950, Mr. Masek merged the trading department with M. H. Bishop & Co.

J. E. Masek

M. H. Bishop & Co. specializes in a securities local to the central northwest and in independent telephone company financing.

Joins New York Hanseatic

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Donald R. Mayo has joined the staff of New York Hanseatic Corp., 110 Sutter Street. He was formerly with Mitchum, Jones & Templeton.

Federal School Aid Not Needed, Says IBA

Acting on behalf of Investment Bankers Association of America, Gordon L. Calvert, Municipal Director, submits statement to Senate Subcommittee on Education in opposition to Federal aid for the construction of elementary and secondary schools. Finds aid is clearly not needed in view of decreasing growth rate of elementary school population, the large classroom construction programs and the record financing for classroom construction to be completed in 1959 and 1960.

Statement submitted to the Subcommittee on Education of the Senate Committee on Labor and Public Welfare on July 16, 1958, regarding Federal aid for the construction of Public Elementary and Secondary Schools, by Gordon Calvert, Municipal Director of Investment Bankers Association of America, follows:

The Investment Bankers Association of America is a voluntary unincorporated trade association of investment banking firms and security dealers who underwrite and deal in all types of securities. Our Association has over 800 member firms engaged in one phase or another of the securities business in the United States and Canada, including about 100 commercial banks. Our members have, in addition to their main offices, over 1,300 registered branch offices. Many of these firms underwrite and deal in school bonds and in the aggregate do a large percentage of the underwriting, distribution, and trading of school bonds.

Gordon L. Calvert

(1) The Number of Additional Classrooms Needed in Public Elementary and Secondary Schools Has Been Decreasing Steadily during the Past Five Years.

The U. S. Department of Health, Education and Welfare has prepared tabulations showing the number of additional classrooms reported to be needed in each state. These tabulations, which are the most reliable estimates available, demonstrate clearly that the number of additional classrooms needed in public elementary and secondary schools has been decreasing steadily during the past five years:

In 1952 it was estimated that 312,000 additional classrooms were needed.

In 1956 it was estimated that 159,000 additional classrooms were needed (80,000 to accommodate excess enrollment and 79,000 to replace unsatisfactory facilities).

In 1957 it was estimated that only 140,400 additional classrooms were needed (63,200 to accommodate excess enrollment and 77,200 to replace unsatisfactory facilities).

Thus, in the five year period from 1952 to 1957 the estimated number of needed classrooms (to accommodate excess enrollment and to replace unsatisfactory facilities) was cut from 312,000 to 140,400.

Particularly important is the fact that the estimated number of classrooms needed to accommodate excess enrollment was reduced from 80,000 in 1956 to 63,200 in 1957.

A substantial percentage of the classrooms are needed in a small group of states. Over 36% of the classrooms needed to accommodate excess enrollment are in four states (Alabama, California, Georgia and Michigan). Some of these states (particularly California and Georgia) are carrying out vigorous programs of state assistance which are rapidly supplying needed classrooms.

Circular No. 513 of the U. S. Department of Health, Education and Welfare estimates, based on state reports, that 68,600 classrooms were completed during the school year 1956-1957 and that 70,800 additional classrooms will be completed during the 1957-1958 school year. Record amounts of recent school bond sales (summarized below) assure that large numbers of additional classrooms will be constructed in each of the next several years.

It is apparent that the needed classrooms are rapidly being provided without Federal aid.

(2) The Rate of Growth in Public School Enrollments is Decreasing

It is also encouraging to note that the number of additional classrooms required to meet increased enrollment will be smaller during the coming years, because the school age population will not be increasing as rapidly as it has been in recent years. During the six year period 1952-1958, for example, enrollment in public elementary and secondary schools increased by 25.9%. During the forthcoming six year period, 1958-1964, the corresponding increase is estimated by the U. S. Office of Education at only 17.4%. To put this in terms of numbers of students during the 1952-1958 period, public elementary and secondary school enrollments increased by 6,918,000 students. During the next six years, through 1964, the U. S. Office of Education estimates an increase in public elementary and secondary school enrollments of only 5,835,000 students. This means that the number of additional classrooms required to meet the growth in enrollments will be smaller than in recent years. Although the rate of growth in secondary schools will continue at high levels during this period, the rate of growth at the elementary school level will be declining sharply, so that the rate of growth in enrollments at elementary and secondary schools combined in the 1958-1964 period is estimated to be 15.7% less than during the 1952-1958 period.

(3) Record Classroom Construction Programs are Continuing; (a) Record Amount of School Bonds Sold

In 1957 the sales of school bonds by states and local educational agencies to finance construction of public elementary and secondary schools aggregated over $2,360,690,000 in 2,898 issues, which was greater than the amount of such bonds sold in any prior year. Appendix A, compiled from the records of our Research Department, lists the total amount and number of issues of school bonds sold in each state in 1957.

In the first 6 months of 1958 (January through June) the sales of school bonds continued to set new records, aggregating over $1,300,596,000 in 1,579 issues (and this total is not complete because we do not yet have complete reports in school bond sales during this period). Sales of such bonds during the corresponding 6 month period in 1957 aggregated 1,243,967,000.

The proceeds from the sale of these bonds will obviously be supplemented by additional funds from other sources in the construction of classrooms.

Since school bonds are ordinarily sold before construction contracts are awarded and around 1 year is required for actual construction, the classrooms financed by the record bond sales of the past 6 months will, in most cases, be reported in the classrooms completed in 1959 and 1960.

(b) Approval of School Bonds at Bond Elections Continues at High Level

Some concern has been expressed in educational circles that the recession has made voters less receptive to school bond proposals. Testimony has been presented to the Subcommittee on Education of the Senate Committee on Labor and Public Welfare, that an examination of trends in the value of school bonds voted upon and approved in bond referendums shows current trends in bond approval to be diametrically opposite the trend in bond sales. That is not true.

During the first six months of 1958, voters approved about 76.7% by value of the school bonds submitted for approval, which compares with about 77.5% by value approval of the school bonds voted upon in the first six months of 1957.

At bond elections in June, 1958, about 94% by value of the school bonds voted upon were approved, an aggregate of about $195,000,000. This percentage and dollar amount of school bonds approved in June of this year is substantially higher than the corresponding figures for the same month in 1957 when only about 76% of the school bonds voted upon were approved, aggregating about $162,600,000. These figures do not indicate any trend toward rejection of school bonds at bond elections.

If a trend to reject school bonds at bond elections should develop, that would appear to demonstrate that the voters simply believed that construction of the proposed school facilities was unnecessary.

(c) School Construction Costs

In October, 1957, we mailed questionnaires on classroom construction costs and financing to all local public educational agencies in the United States with over 300 pupils (about 12,000 questionnaires). From the 3,134 replies we compiled the following information on average classroom construction costs (including in each case the cost of site and related facilities in the project, such as cafeterias, libraries, auditoriums and gymnasiums, but not including furnishings) for public elementary and secondary school classroom construction reported in those questionnaires as completed during the period Oct. 1, 1956 through Sept. 30, 1957:

	No. of Classrooms	All-purpose Rooms	Total Cost*	Average Cost*
(a) New Elementary Schools	10,118	407	$294,114,000	$29,060
(b) Elementary School Additions	4,617	118	112,099,000	24,280
(c) New Secondary Schools	6,627	54	278,710,000	42,050
(d) Secondary School Additions	2,521	20	80,156,000	31,790
Total	23,851	599	$765,079,000	
Average Classroom Cost*				$32,070

*"Total Cost" includes site and related facilities such as cafeterias, libraries, auditoriums and gymnasiums but does not include furnishings. In determining "average cost," all-purpose rooms were not counted as classrooms. If all-purpose rooms are included the average cost is reduced to $31,290. This tabulation of school construction costs includes classroom construction in every state.

This indicates that the average cost of classroom construction, based on a sample of 23,851 classrooms, was $32,070 excluding all-purpose rooms as classrooms, or $31,290 if all-purpose rooms are counted as classrooms.

Conclusion

The great success with which the needed classrooms rapidly are being provided without Federal aid, the decreasing rate of growth in public school enrollment, the large classroom construction programs presently under way and financed for the next several years (demonstrated by record sales of school bonds and approval of a high percentage of school bonds at recent bond elections) lead us to conclude that state and local educational agencies can and will provide the needed classrooms without Federal aid.

Firmer Business Conditions Seen Evidenced

July "Survey of Current Business" reviews latest supporting data of betterment.

Economic developments in June supplied additional evidence of firmer business conditions, the Office of Business Economics, U.S. Department of Commerce reported in the July National Income Number of its monthly "Survey of Current Business."

For the second quarter as a whole, the total volume of activity matched the rate of the January-March period. Fixed investment moved lower and the heavy liquidation of business stocks continued. The pace of inventory reduction remained about the same as earlier in the year, however, and thus exerted no further downward pressure on business activity. Consumer buying improved somewhat in the spring months and Federal purchasing also moved up.

The OBE review points out that personal income, the comprehensive monthly indicator of consumer purchasing power, has advanced in the recent period, making up the decline which occurred between last summer's peak and the mid-winter low. This advance has stemmed largely from changes in the labor market situation. The number of employees in nonfarm establishments in June, at close to 50½ million, was up slightly from the April low, after allowance for seasonal influences, and about 2 million below a year ago. Factory employment, which has borne the brunt of the cyclical downturn, showed a somewhat more than seasonal increase in June, with most of the major industry groups participating. The manufacturing work week was lengthened significantly over the spring period, and this factor also served to sustain earnings in private production.

Durable Consumer Goods Decline Arrested

Consumer markets in turn have reflected the recent strength in personal income. Outlays for soft goods and services continued to edge upward this past spring and are currently at new highs. The decline in purchases of consumer durables, which has constituted the major area of recent weakness in consumer buying, appeared to have been substantially arrested.

Business outlays for plant and equipment are scheduled to continue downward for some time. On the other hand, residential construction has been fairly well maintained in recent months, after a somewhat larger than seasonal fall-off during the winter period. Private nonfarm housing starts reached an annual rate of 1.1 million units in June, after seasonal adjustment, the highest rate since August, 1956. Some improvement in home construction in the period immediately ahead is also suggested by the exceptionally high volume of requests for government-supported mortgage financing this past spring.

OBE's summary notes that the firming in business activity was apparent in manufacturers' sales and new orders. Factory shipments rose slightly in May, the second month of relative stability following a 14-month decline. New incoming business was up a little but continued below shipments, so that backlogs were lowered to $46 billion, down one-fourth from a year ago.

Inventory liquidation at book value has been proceeding at a uniform rate of roughly one-half billion dollars a month from last December; at the end of May stocks of goods were $3 billion under a year ago, with holdings of durable-goods producers accounting for the bulk of the decline. The most recent reduction was mainly in finished goods, whereas earlier it had centered in working stocks.

National Income Leveled Out

A special analysis in the July "Survey" points out that national income declined further in the first quarter but, on the basis of incomplete data, leveled out in the second. Clearly reflected in the first quarter estimates just completed is the sharp impact of the economic contraction on business earnings. Total national income in the first quarter, at an annual rate of about $350 billion, was off $18 billion from the third quarter 1957 peak; for the same period corporate profits before tax fell from $43 billion to $31½ billion at annual rates. On the basis of the firming in the general business situation, it would appear that the decline in profits was slowed if not reversed in the second quarter.

The "Survey of Current Business" is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., at an annual subscription price of $4.00, including weekly supplements; single copy 30 cents.

Northern Trust Co. Promotes Two

CHICAGO, Ill. — The Northern Trust Company announces the promotion of Thomas F. Duffy to Second Vice-President in the Banking Department. Previously he had been Second Vice-President and Manager of the Credit Department.

In his new duties Mr. Duffy will be associated with Division "B" of the Banking Department, which covers all states west of the Mississippi River except Iowa. Mr. Duffy joined The Northern Trust in 1947, being assigned to and subsequently heading the investment research division. He is a graduate of Boston College, Boston University, and Loyola University Law School, and served in the Navy during World War II.

William J. Roth has been promoted to Second Vice-President and Manager of the bank's Credit Department, succeeding Mr. Duffy. Previously he was a senior analyst in the department. He is a graduate of Northwestern University and served in the Air Corps during World War II.

Two With Reynolds & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Lewis D. Craig and Lloyd E. Jenkins are now affiliated with Reynolds & Co., 425 Montgomery St.

Sutro Co. Adds Two

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Arthur D. Manning and Donald M. Wilson have become affiliated with Sutro & Co., Van Nuys Building. Mr. Wilson was previously with Marache, Dofflemyre & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Over the week end the **Chase Manhattan Bank, New York,** moved its 79th Street and Madison Avenue Branch from the northwest to the southwest corner. In its new location the branch occupies quarters on the ground floor of a new 20-story apartment building.

George J. Suter, Assistant Treasurer and Manager, said that the move to larger quarters was made necessary by the steady population growth in the area and the continued increase in the volume of business at the branch.

The same officers and staff continue to serve customers at the office. Associated with Mr. Suter in the management are Charles W. Deveney and Walter F. Harrje, Assistant Treasurers.

* * *

The First National City Bank of New York announced July 28 that Supreme Court Judge Owen McGivern has approved acquisition by the bank of the interest of Astor Plaza, Inc., in the site occupying the entire block, bounded by Park and Lexington Avenues, 53rd and 54th Streets. Pursuant to Judge McGivern's decision, the lease now held by Astor Plaza, Inc., will be assigned to The First National City Bank of New York, which will erect a building on the property. The lease carries with it an option to purchase the land at a future date. The land is now owned by the William Waldorf Astor trusts, represented by City Bank Farmers Trust Company as trustee.

The bank stated that details of its building plans would be issued at a later date, but that excavation work would begin shortly. Arrangements have been made for the bank to obtain possession of the remaining building on Lexington Avenue by the end of next month. It is planned that a building of approximately 41 stories, to house First National City's operating departments, as well as a new branch of the bank, will be erected.

* * *

The appointments of Daniel C. Greiner and Harold F. McHugh as Assistant Secretaries of **Manufacturers Trust Company, New York,** were announced by Horace C. Flanigan, Chairman of the Board.

Mr. Greiner joined the bank in 1951. He was appointed an Assistant Branch Manager in 1956 and assigned to the bank's 18th Street Office located at 130 Fifth Avenue, the branch to which he is presently assigned.

Mr. McHugh joined Manufacturers Trust Company in 1947. He was appointed an Assistant Branch Manager in 1954. At present Mr. McHugh is assigned to the bank's 39th Street office at 530 Seventh Avenue.

* * *

Irving Trust Company, New York, announces the election of Robert C. Kirkwood to its Board of Directors. Mr. Kirkwood is President of F. W. Woolworth Co.

* * *

William H. Moore, Chairman of the Board of **Bankers Trust Company, New York,** announced July 30, the appointment to Manager of Adolph J. Fortunato. Mr. Fortunato will head the bank's newest Queens office to be opened later this year. It will be located in the borough's Rego Park section.

Mr. Fortunato, previously Assistant Manager of the bank's Flushing Office, began his banking career with the Title Guarantee and Trust Company in 1946. He subsequently joined Bankers Trust Company in 1950 when the banking facilities of Title Guarantee were purchased by Bankers. He joined the Flushing Office in 1951.

The new office to be located at 97-03 Queens Boulevard and the 46th Bankers Trust Company branch, will be the ninth office of the company in the Borough of Queens. The bank last opened a Queens branch in 1956 with the addition of an office at 138-02 Queens Boulevard.

The new office in Queens will be the third branch to be opened by Bankers Trust Company this year. The first, on the northwest corner of Third Avenue and 46th Street in Manhattan, was opened on May 1, 1958. Another office, located at the Third Avenue and 67th Street intersection in Manhattan, will be opened in October.

Mr. Moore, also announced the appointment of George N. Cederberg to Assistant Treasurer in the bank's Insurance Division.

Mr. Cederberg, who began his career with Bankers Trust Company in 1929, joined the Insurance Division in 1943. Prior to that he was engaged in foreign exchange, loan and general cage work at the bank's 57th Street Office.

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The Federation Bank and Trust Company, New York, was given approval by the New York State Banking Department to increase its capital stock from $4,845,180, consisting of 484,518 shares of $10 par value each to $5,445,180 consisting of 544,518 shares of the same par value.

* * *

Stockholders of the **Commercial State Bank and Trust Company of New York** and the **Bank of North America, New York,** approved the merger of the two banks under the title of the **Commercial Bank of North America.** Details of the plan was given in the July 3 issue of the "Chronicle," page 18.

* * *

William L. Barton has been elected Vice-President of Personnel of the **East River Savings Bank, New York.**

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John T. Madden, Chairman of the Board of **Emigrant Industrial Savings Bank, New York,** announced that James A. Farrell, Jr., had been elected to the Board of Trustees of the bank.

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The Industrial Bank of Commerce, New York, presently operating 11 branches, has leased new banking quarters at 26 Court Street, Brooklyn. Michael A. Trovato, Vice-President of the Industrial Bank of Commerce, reports that the new quarters will be extensively altered and remodeled before being occupied by the branch presently located at 32 Court Street.

* * *

Merger certificate was issued approving and making effective, as of the close of business July 11, the merger of **The Hartwick National Bank, Hartwick, N. Y.** with common stock of $50,000, into **The National Commercial Bank and Trust Company of Albany, Albany, N. Y.,** with common stock of $5,532,975. The merger was effected under the charter and title of The National Commercial Bank and Trust Company of Albany.

* * *

At the directors' meeting of the **Worcester County Trust Company, Worcester, Mass.,** Mr. E. Weldon Schumacher was elected a director, and Mr. W. Bruce Adams was elected a member of the Advisory Committee of the bank's Fitchburg Office. Mr. Adams is a Trustee of the **Fitchburg Savings Bank.**

* * *

At the annual meeting of the corporators of **The Connecticut Savings Bank of New Haven, Conn.,** three changes were made in the official staff. Richard H. Bowerman, a coporator since July, 1956, was elected a Trustee; Allan R. Carmichael, a Vice-President since July, 1948, and a Trustee since July, 1951, was elected Executive Vice-President; and Donald T. Jones was elected an Assistant Treasurer.

Mr. Bowerman was named a Trustee to fill the vacancy caused by the resignation of Horace F. Isleib as a Trustee of the bank. M. Isleib's resignation was accepted at the meeting of corporators.

Mr. Bowerman is an Associate Director of the First New Haven National Bank.

Mr. Carmichael, the newly elected Executive Vice-President, has been an officer of The Connecticut Savings Bank since July, 1941, when he became Assistant Treasurer. He was elected Vice-President, July, 1948, a corporator, July, 1951, and a Trustee on that same date. He is a director of the **First New Haven National Bank.**

Donald T. Jones was employed by the Connecticut Savings Bank Feb. 17, 1941.

* * *

By the sale of new stock, the common capital stock of **The Security National Bank of Trenton, N. J.,** was increased from $500,000 to $625,000, effective July 18. (Number of shares outstanding—25,000 shares, par value $25.)

* * *

The new Morris Street Office of the **First National Iron Bank, Morristown, N. J.,** will open for business on Aug. 1, as announced by Alfred J. Mackin, bank President.

The opening of the new office will increase to five the number of Iron Bank branches in Morris County.

* * *

Shareholders of **Camden Trust Company, Camden, N. J.,** at a special meeting held July 24 approved the issuance of 50,000 additional shares of stock, Robert J. Kiesling, Chairman of the Board, announced.

Rights to these additional shares will be offered to shareholders of record July 23 at $22 per share. It is being offered on the basis of one share for each 12 shares of stock presently held, which gives the rights held by the shareholders a definite value. The rights, which are negotiable, expire Aug. 8.

As a result of this sale, $1,100,000 will be added to the capital accounts of Camden Trust Company; $250,000 to capital, increasing it to $3,250,000; $750,000 to surplus, increasing it to $6,750,000; with the balance of $100,000 going to undivided profits, which presently totals a sum in excess of $1,400,000. Also included in the bank's capital accounts is an unallocated reserve of $6,100,000. Actually shareholders' equity exceeds $17,600,000—equivalent to over $27 a share.

The overall effect will be an increase of Camden Trust Company's unsecured loan limit to $1,000,000 and its limit on certain secured loans to $2,500,000.

* * *

Charles J. Broska has joined the **Ohio Citizens Trust Company, Toledo, Ohio,** as Manager of the new business department, it is announced by Willard I. Webb, Jr., President.

In his new capacity, Mr. Broska will have charge of business development and customer relations in the bank's commercial division, Mr. Webb said.

* * *

By a stock dividend **The First National Bank of Chicago, Ill.,** increased its common capital stock from $100,000,000 to $125,000,000, effective July 15. (Number of shares outstanding — 1,250,000 shares, par value $100.)

* * *

The Public Bank, Detroit, Mich., elected Chester J. Meldrum Executive Vice-President, Jerome J. Zielinkis Senior Vice-President, and Herman A. Rummel and Woodrow W. Asbury Vice-President.

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By a stock dividend, the common capital stock of **The Third Northwestern National Bank of Mineapolis, Minn.,** was increased from $250,000 to $350,000, effective July 17. (Number of shares outstanding — 3,500 shares, par value $100.)

* * *

The First National Bank of Mandan, N. D., increased its common capital stock from $100,000 to $200,000 by a stock dividend, effective July 15. (Number of shares outstanding—2,000 shares, par value $100.)

* * *

The Johnson County National Bank and Trust Company, Prairie Village, Kan., increased its common capital stock from $300,000 to $400,000 by a stock dividend, effective July 18. (Number of shares outstanding—4,000 shares, par value $100.)

* * *

By a stock dividend, the common capital stock of **The First National Bank of Virginia, Minn.,** was increased from $300,000 to $500,000, effective July 14. (Number of shares outstanding—5,000 shares, par value $100.)

* * *

The **Preston State Bank, Dallas, Tex.,** will open its new bank building at 8111 Preston Road, Dallas, Texas, on Aug. 4.

* * *

Arthur C. Lawson and Frank L. Davis were elected Vice-Presidents of the **Bank of America, San Francisco, Calif.**

* * *

By the sale of new stock, the common capital stock of the **Sun Valey National Bank of Los Angeles, Calif.,** was increased from $300,000 to $400,000, effective July 16. (Number of shares outstanding—4,000 shares, par value $100.)

* * *

A stock dividend of $10,083,250, equal to 25% of presently outstanding capital stock, was declared by the Board of Directors of the **Crocker-Anglo National Bank, San Francisco, Calif.,** subject to approval by the shareholders, it was announced by Paul E. Hoover, President.

The dividend will be payable by the issuance of 1,008,325 shares of the bank's $10 par value stock and each shareholder of record on Sept. 11, 1958, will receive one new share for each four shares owned. The stock dividend will increase the number of outstanding shares from 4,033,300 to 5,041,625, and the amount of capital stock from $40,333,000 to $50,416,250.

It is expected that the present annual dividend rate of $1.20 per share will be continued on the increased number of shares after Oct. 1, 1958.

The Board of Directors has called for a special meeting of shareholders to be held on Sept. 11, to consider and vote on the proposed stock dividend.

* * *

Crocker-Anglo National Bank, San Francisco, Calif., Vice-President James M. Crane has been transferred from the 1 Sansome Street office (San Francisco) to the bank's Business Development Department at Administrative Headquarters, 1 Montgomery St., San Francisco. He will serve in the department's Eastern Division, which is headed by Vice-President Irving Manning.

Mr. Crane had eight years' banking and credit analyst experience in New York prior to joining Crocker-Anglo's credit department at 1 Sansome Street in the fall of 1954. Early the following year, he was promoted to Assistant Cashier and assumed the duties of a loan officer. In 1956, he was named an Assistant Vice-President and in February of this year, was promoted to Vice-President.

Wm. Gliss to NY Office Of John C. Legg Co.

John C. Legg & Company of Baltimore, established in 1899, investment bankers and members of the New York Stock Exchange since 1916, with a branch in New York City in charge of a partner, Cyril M. Murphy, have moved the head of their Insurance Stocks Department, William F. Gliss, Jr., to the New York office, 76 Beaver Street. Organized in 1931, the Insurance Stocks Department has become one of the most important divisions of this investment firm, which is now among the largest dealers in insurance securities in the country.

William F. Gliss, Jr.

When released from the Army in 1946, after service in the European theatre of operations, Mr. Gliss entered the insurance business with the New Amsterdam Casualty Company and after five years with them as an underwriter joined the Insurance Stocks Department of John C. Legg & Company, becoming manager of that Department in 1954.

He is a member of the Baltimore Chapter of the National Federation of Security Analysts and has been a guest lecturer on insurance securities at the Institute of Investment Banking of the University of Pennsylvania and at the Johns Hopkins University.

The New York office of John C. Legg & Company was opened in 1935 and in recent years under Cyril M. Murphy has helped establish the firm as a leading dealer in insurance stocks. John C. Legg & Company believe that Mr. Gliss' presence in the New York office will enable them to give even better service to their many friends who are located there or periodically visit that city. At the same time analytical and statistical information on insurance stocks will be available more readily to their nationwide trading contacts.

Joseph W. Sener, Jr. will continue the operations of the Insurance Stock Department in the Baltimore office. Mr. Sener has been with the firm as a salesman and insurance stock analyst for eight years. Mr. Gliss and Mr. Sener will continue to alternate on their many fields trips.

With William W. Ravetto

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George W. Fowler is with William W. Ravetto & Co., 63 Post Street.

D. H. Blair to Admit

D. H. Blair & Co., 42 Broadway, New York City, members of the New York Stock Exchange, on Aug. 7 will admit Merrill E. Brown to limited partnership.

Continued from page 3

Selecting a Growth Company

plaining to us all the phases of the new chemistry.

Consider the Du Pont Company, for example—one of the largest chemical companies in the world. Just what does Du Pont do? Perhaps we can get an idea by considering the eleven operating departments into which Du Pont is divided. Here they are: elastomer chemicals, electrochemicals, explosives, fabric and finishes, film, agricultural, organic chemicals, plateproducts, pigments, polychemicals, textile fibers. And each of these departments in turn has within it divisions and subdivisions—one of the subdivisions in itself being sufficient to keep many fair-sized companies in profitable operation.

What is meant by electronics? Actually, electronics is more than an industry—it is a way of life. And it is a way of life expanding so rapidly that even those within the industry have difficulty keeping up with all the ramifications.

Consider Radio Corporation of America—one of the largest electronic companies in the world. Just what does R.C.A. do? Consider just a few of the divisions into which R.C.A. is divided: television, radio and phonograph, electronic components (including tubes, semi-conductors, TV components), defense electronic products, commercial electronic products—and dozens of related departments.

Chemicals and electronics have grown faster than the average of American industry since their inception. Their average growth has been 7%—and more—a year; the average growth of American industry has been around 3%.

The entire electronics industry has doubled its gross in the last seven years. One branch of electronics—the missile-rocket industry—has grown ten thousand per cent in the last seven years. And in the chemical laboratories so many and so varied have been the discoveries that many companies are almost at a loss as to where to begin in developing the myriad of new products for commercial use.

Chemicals and electronics, then, are growth industries. They have done better than most other industries in the past; they are doing better than most other industries in the present; there is reason to believe that they may do better than most other industries in the future. What makes these industries growth industries? We know that they are growth industries, but what are the reasons they are growth industries? If we can find the answer to that question we can, perhaps, discover for ourselves other growth industries. For if we can isolate the ingredients that make chemicals and electronics grow, we can search for the same ingredients in other industries and upon finding them spot other growth industries of the present and possible growth industries of the future.

Ingredients of Growth

The most vital element in an industry's growth is **management.** Only superior management within a potential growth industry will bring superior growth. By any standard the growth companies within the growth industries of chemicals and electronics do have superior management. How do you determine the competence of management? First, consider the return on equity. How much does management earn on each dollar of shareowners equity? Secondly, consider the operating profit margin: How much profit has management earned over the last five years? Thirdly, consider the net profit margin. How much profit has management brought down to actual net per dollar of sales?

If management is doing better than average by these three standards the chances are good that this management is superior management. And superior management is—must be—a common denominator of the growth companies within chemicals and electronics. For consistently, through the years, leading companies in these two growth industries have shown superior return on equity, a high operating profit margin and a high net profit margin. On balance these growth industries have companies with superior management.

Assuming superior management as one basic ingredient, the second ingredient in these growth industries is **research** and **development**: continued and diligent investigation followed by development of the products made possible by the investigation. Chemicals and electronics are among the ones that spend the highest percentage of sales on research and development.

Most of the dollars being spent by chemical and electronics today is for applied research—that is—corporations are attempting to develop new products and new processes that **soon** will bring in more dollars through increased sales.

But even the most advanced growth companies it must be added, are lagging in BASIC research, a lag recognized many times by President Eisenhower in his frequent pleading for more scientific pioneering, which is another way of describing basic research.

Speakers at a recent meeting sponsored by the American Association for the Advancement of Science underlined again and again that spending for basic research by government and universities—as well as by corporations—was becoming increasingly small.

Leaders in chemicals and electronics are beginning to meet the challenge; they are spending a good share of the current $800 million yearly being spent by industry in general, in basic research. Standard Oil of New Jersey is spending 20% of its research dollar every year on basic research. Schering will soon establish a laboratory where full time will be spent on basic medical and chemical research. The Salt Institute is attempting to develop basic techniques for using salt at a vehicle to carry hormones, vitamins and other cattle needs to beef cattle. Avco is building a scientific center for pure research in solid-state physics and gas dynamics. Owens-Illinois has a basic research program into the chemistry and composition of glass. Du Pont has been spending over $70 million a year for basic and applied research; since 1950 Monsanto has spent more than $85 million on research, both basic and applied. By 1961, says McGraw-Hill, chemical industry's new product sales will be 14 cents out of each dollar.

As a result of successful research and development growth is inevitable. The development of one product usually leads the research worker to another product — and another — and another. Goodrich researchers, seeking a suitable substance for use in the manufacture of tires, developed a product that could not possibly be used in making tires, but could be of great use in making sweaters.

A Du Pont official says: "You can practically take it as a law that by the time your fiber has been on the market two years, you'll have been forced to make some major changes, and the product you'll be selling won't be quite what you had thought you'd sell. Either that, or your customers will be using it in something you never thought of."

Continued growth often comes largely through continued change, sparked in part by intelligent, planned research resulting in scientific discovery. In turn, this scientific discovery depends in part upon creative guesswork—a certain aspect of foolishness, if you please.

Successful Diversification

Superior management encourages research and research brings new products; and with new products comes **diversification.** Growth companies in chemicals and electronics are often marked by extreme diversification and the most successful diversification is that which is planned.

General Mills is still primarily a miller, but through planned diversification it has been investing up to 12% of its sales dollar in chemical and mechanical products. North American Aviation is offsetting the cut in airplane orders by building atomic reactors. Allis Chalmers, which manufactures farm implements and tractors, also is building atomic reactors. American Machine and Foundry produces automatic pin setters for bowling alleys as well as making tricycles and flip-top cigarette box-making machines.

Of course, some diversification comes from an effort to offset declining profits in a non-growth market by entering a growth market. Schenley and National Distillers have entered the chemicals and ethical drugs business to supplement their liquor interests.

Not all diversification automatically means growth. Sometimes diversification is so broad that it requires multitalented executives who can keep a dozen balls in the air at once. The Philadelphia and Reading Coal Company makes underwear. Selby Shoe Company makes candy; Standard Tobacco makes toys; Detroit Hardware Company produces orange juice; California Eastern Aviation makes X-ray equipment. Although growth may result in such organizations, each situation must be appraised individually to determine whether true growth is possible. Certainly, a company in an industry not marked by growth expanding into another industry not marked by growth does not automatically make for a growth company. But in chemicals and electronics—already marked by growth — intelligent diversification is still another keyword leading often to still more growth.

Natural and Legal Monopoly

Another aid to growth in chemicals and electronics has been **monopoly,** and often that monopoly is a by-product of successful research. When a company develops a new product that can not be patented a legal monopoly results with insured growth within that area of development for the company holding the patent. Sometimes that monopoly may be a by-product of governmental laws. When a company receives a license from the government allowing it to engage in exclusive operations in a given area a legal monopoly is again created with resultant insured growth within a defined area of development. Again a monopoly may result from control of a natural resource. When one company or a group possess most of a natural resource a monopoly results unless it is changed by government edict. The old original Standard Oil Company once possessed a near-natural monopoly until the government broke up the big Standard into many smaller companies—companies that continued to grow, but without the aid of possession of a natural monopoly.

Most growth companies in chemicals and electronics started as small companies; as growth developed many became gigantic **corporations** with numerous subsidiary corporations. Whether they were big or small most of them were incorporated. Individual proprietorships, partnerships, and co-operatives have seldom attained great growth in the United States.

What is a corporation? Chief Justice Marshall's classic definition was that "a corporation is an artificial being, invisible, intangible, and existing only in contemplation of the law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it . . . Among the most important are immortality, and . . . individuality; properties by which a perpetual succession of many persons are considered as the same, and may act as a simple individual. They enable a corporation to manage its own affairs, and to hold property without the perplexing intricacies, the hazardous and endless necessity, of perpetual conveyances for the purpose of transmitting it from hand to hand. It is chiefly for the purpose of clothing bodies of men, in succession, with these qualities and capabilities, that corporations were invented, and are in use. By these means, a perpetual succession of individuals are capable of acting for the promotion of the particular object, like one immortal being."

It is true that the great growth companies in chemicals and electronics are corporations. When we think of great chemical companies we think of great corporations such as Allied Chemical, Dow, Du Pont, Monsanto and Union Carbide. When we think of great electronic companies we think of great corporations such as Radio Corporation, General Electric, Westinghouse and International Business Machines.

Tomorrow's Growth Companies

But the big growth of the future may lie in the destinies of corporations that are smaller and not now well known or in companies not yet big enough to make use of the benefits of incorporation.

Corporations are usually best suited to take advantage of growth potentials in any industry, but this does not mean it must be a big corporation. Lean and hungry small corporations in chemicals and electronics again and again have proved there are times when they can outpace their giant brothers in the same industry. In 1944, the Cook Electric Company of Chicago welded the first monel metal bellows after both General Electric and International Nickel—the maker of monel metal—had said it could not be done. Cook was small; but it had developed a special ability in welding that the bigger companies did not have. Cook's success here was one indication that it was a likely candidate for future growth.

Growth companies in chemicals and electronics are aggressive companies. Since they are not encrusted in tradition they tend to seek out new projects, new developments; they tend to be receptive to ideas of change, including change in places of living. Within the last decade companies in these two industries have aggressively sought out new areas for their development. Companies have moved entire branches of their business to towns thousands of miles away. One electronics firm recently asked the personnel to decide where they would like to live and then moved the entire division there. Within the last few years Raytheon has moved a part of its personnel from Waltham, Massachusetts to Santa Barbara, California; Fairchild Camera of New York has opened a center in Los Angeles; Clary Multiplier of San Gabriel, California, has opened a factory in Searcy, Arkansas. Companies in these industries, then, are on the move; **mobility** has become one more ingredient in their growth.

True Growth

Growth companies, then, in the growth industries of chemicals and electronics became and remain growth companies for a variety of reasons, and these reasons have a striking similarity.

The true growth companies in chemicals and electronics have been mobile corporations with superior management directing comprehensive research programs leading toward intelligent, planned diversification within the framework of a monopoly or a semi-monopoly.

Other industries that follow similar patterns are, in all probability, growth industries. And it is probable that future growth industries will bring with them the development of more growth companies which can be identified by the manner in which they adopt these proven methods designed to lead to true growth.

When the nature of the industry prevents the inclusion of elements needed for growth there cannot be a true growth industry. In St. Louis 20 years ago were three large corporations—large enough so that the stock of each corporation was listed on the New York Stock Exchange. One was a shoe company, one was a stove company, one was a chemical company. All were excellent companies, operated by men of ability. If 20 years ago it had been necessary for you to choose which company you would like to have in your community you might well have chosen any one of these companies and have been proud of your choice. Yet by any standard of measurement only the chemical company has shown true growth in the last 20 years.

What is the reason for this difference in growth of three fine companies operating in the same area and under similar economic conditions? The shoe business and the stove business do not really lend themselves to benefits of continued research or constant diversification; the chemical industry thrives on research and diversification. The shoe company was in a stable industry; the stove company was in a cyclical industry; the chemical company was in a growth industry. The conditions inherent in their industries determined to a large extent their rate of growth.

It is true that we all like growth; all want growth. But we may not always want a growth company for a neighbor. A rocket-missile company may provide a 10,000% growth in seven years, but will you appreciate this growth as the ascending rockets in their test flights vibrate the dishes on your shelves and shake the plaster from the walls of your house? Or will you appreciate the 10,000%-growth when you must plan, as citizens of Orcutt, Calif., are doing, to build your schools underground to keep your children safe from the dangers of the missile testing in this great growth industry? Perhaps at such a time industries with lesser growth will seem more attractive to you than any extra profits that might result from your personal participation in attempts to enter the new space age.

And while considering whether the company you are interested in may be a good neighbor, consider too whether it would be a good investment. Because a company may fit into the general category of a growth company does **not** guarantee that it will be a good investment or a suitable candidate for community financing.

No Guarantee There Will Be Growth

During the last five years we have witnessed the great rise in fashion of growth stocks and so-

called growth stocks. Many investors have been in fact obsessed by growth; they have bought so-called growth stocks with the idea of always holding, never selling, and thereby creating their fortunes. Many private investment clubs started in recent years specialized in buying growth stocks. Typical of the stocks purchased by the investment clubs were many of the fine growth companies I have already mentioned: Monsanto, Dow, Du Pont, in the chemicals, and I.B.M., R.C.A. and General Electric in the electronics. Now the growth of these fine companies has been interrupted and with the interruption has come the awakening. Large capital losses in these growth stocks are common. These investors have found that the mere word, "growth," does not insure an open door to unlimited and never-ending profits.

Your problem as a citizen of a community interested in the development of, and possible investment in, a growth company is greater than that of an investor in a listed stock. Presumably, the investor in a listed stock can liquidate his holdings instantaneously; you cannot. Your commitment is similar to a marriage: it can sometimes be dissolved, but usually only after agonizing soul-searching, leading to wounds that may never heal.

I have been presenting facts. I wish now to express an opinion based on facts, but an opinion nevertheless. It is an opinion in the form of an admonition and is this: Do not risk your money in any enterprise unless you are prepared to lose your money. Do not ask others to risk their money in any enterprise unless you at the same time warn them directly and explicitly that it is possible that their money may be lost.

The financial jungle is fraught with peril; within it are countless hidden dangers. Do what you will, your capital is at hazard. As you value your capital you must make certain that the hazard to which your capital is exposed is reduced to the minimum commensurate with the profits that may be expected. Understand and respect the financial hazards involved in every venture you consider; remember there is no "sure thing"; but remember, too, that you are only playing the fool's game if you participate in any gamble.

But dollar profit is not the only kind of profit. There are other profits — profits that cannot be measured in dollars. When you invest in your church, when you invest in your schools, when you invest in your community chest, you are seeking the profits that result from growth—spiritual, intellectual, moral growth. When you invest in industry in your community you are seeking the dollar profit of course, but you are seeking too the other profits —the other profits that result from growth. These other profits, then, may make an otherwise dubious investment a sound investment.

Encouraging Small Industry

I believe that small industry must be encouraged. I spoke of the financial perils surrounding investment in industry. These perils are especially pronounced in the financing of small business. The recent Rockefeller report takes special note of this, declaring, in part, that "there is . . . a growing body of evidence that smaller- and medium-sized businesses, and particularly manufacturing firms —even those that have successfully established themselves in their industries and have solid prospects for growth — have difficulty in obtaining financing for the expansion of their operations. There is also a probability that inadequate financing reduces the rate at which new firms are established.

"The need is primarily for long-term equity or loan funds. As a result of the inability to obtain capital funds, the opportunity for establishing a new firm, or for expanding an established firm, is too often lost. Often the established firm merges with a larger enterprise that can command the necessary resources. The past few years have seen a wave of such mergers. Such a condition is neither conducive to vigorous competition nor to economic growth."

Nor, may I add, is it conducive to sound social growth.

Suggests Novel Financing Plan

Here is where individual and group investors within a community can aid not only their own community but the entire nation by the sponsorship of growth enterprises within their community. The risks involved in backing some enterprise may be great; the risks involved in not backing it may be even greater.

Selecting a growth company for your community and deciding whether to invest in that company are problems that cannot be solved solely by scientific methods. The feelings of the heart must be considered along with the conclusions of the mind. And as with anything in life that requires forecasting the future, the occupation is hazardous and full of imponderables. But you can, at least, hazard educated guesses as to what the future for an individual company may hold; even if your guess is correct only a part of the time I think you will feel certain that acquiring the facts — and acting upon those facts — was worth the difficulties entailed.

For true growth—in nature, or in man, or in business — means life; and life as a product of growth is the central fact of all the universe; Yes, it is the central fact of all creation.

Record $750 Billion Nation's Debt Analyzed

Chase Manhattan Bank reports nation's total private, business and public debt now at three-quarters of a trillion dollars has increased 75% as against 87% G. N. P. growth in past decade, while private debt component has multiplied 2½ times at end of 1957. Sees economy capable of servicing existing debt and hopes we aim at debt level and structure that permits economic growth and price stability. Short table published by Institute of Life Insurance gives highlights of public and private debt trend.

The nation's debt—the total amount owed by individuals, businesses and governments—runs to the "almost unbelievably large" figure of three quarters of a trillion dollars, according to the current issue of "Business in Brief," the bi-monthly economic review of the Chase Manhattan Bank published July 23, 1958.

The bank's publication then poses two rhetorical questions: Is this debt too high? Is it growing too fast?

In considering the first question, "Business in Review" examines these criteria:

Total debt—As of the end of 1957, total debt amounted to about 1.7 times a year's total national production, equivalent to the average ratio that has prevailed since 1900.

Private debt—In relation to total private output and to total indebtedness, private debt is lower today than in the 1920's.

Government debt—Equal to 62% of gross national product at the end of 1957, government debt today is somewhat higher than in the 1920's, but below the 116% at the end of 1946.

"In general," the Chase Manhattan review says, "the absolute total of today's debt, and of its major components, appears to be well within the economy's ability to service existing debt."

In considering the question of debt growth, "Business in Brief" reports that during the past decade total debt has increased 75% as against 87% growth in national production, while private debt has multiplied 2½ times—from $180 billion in 1947 to $455 billion at the end of 1957.

"With the notable exception of 1955, the rise in debt in the past five years seems to have been reasonably well in line with growth in total output and total national wealth," the Chase Manhattan publication says.

It continues, "The increase in 1955 was clearly too rapid for economic stability—consumer instalment debt rose 20%, mortgage debt expanded 15% and corporate debt soared $29 billion or 16%."

Federal Reserve policies of restraint, "Business in Brief" adds, in part were responsible for the fact that the annual increase in net debt outstanding slowed markedly in 1956 and 1957. And during 1958 the growth in total debt —both public and private—may be comparable with that in the past few years.

Looking ahead, the Chase Manhattan study says that in the short run such a development would be favorable to economic growth and stability since it would facilitate the increase in the money supply necessary to support a renewed advance in business activity.

"In the longer run," "Business in Brief" adds, "our problem is to maintain a balance between the growth of debt and the income and equity necessary to support it. As private activity picks up, the problem will be to restrain the growth in government debt to make room for a resumption of private financing."

"As an objective," the Chase Manhattan publication concludes, "we should seek a level and structure of debt that will make a constructive contribution to economic growth with price stability."

Table of Private-Public Debt

The following table published by Institute of Life Insurance in July issue of "Money-Matters," shows the highlights of gross public and private debt:

Debt Story, 1929-57

The following table gives some of the highlights of the trend of gross public and private debt (in billions of dollars) from 1929 to the present:

	Public		Private	
Year-end	Federal	State and Local	Corporate	Individual Corp. & Non-Corp.
1929	$17.5	$17.2	$107.0	$72.3
1940	53.6	20.2	89.0	53.0
1945	292.6	16.6	99.5	54.6
1950	266.4	24.2	167.0	108.8
1952	279.3	29.6	201.6	135.5
1954	294.4	37.9	216.3	165.4
1956	300.5	48.0	265.8	207.5
1957	301.7	52.5	276.6	221.9

Source: U. S. Department of Commerce.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The market for Treasury obligations has been making new lows even though it is supposed to be receiving support from the Federal Reserve Banks. The Central Banks by making purchases of shorts, the intermediates and long-term Government obligations had given the market a semblance of stabilization in spite of the liquidation which is still being done by those that are not in a position to hold Governments for an extended period of time.

The refunding operation of the Treasury was carried out with considerable help from the Federal Reserve Banks, and the massive purchases by the Central Banks of the new 1⅝% certificate pared down the amount of cash which the Government had to pay out to owners of the maturing and called issues. Nonetheless, the attrition of $2,770,000,000 was a very heavy one. The $3,500,000,000 of new money borrowed through 1½% tax anticipation certificates due March 24, 1958, takes the Treasury out of the market until early October.

Federal's New Policy Lauded

A more realistic management of the public debt became evident in the past week when the Federal Reserve Banks stepped into the market and made sizeable purchases of Government securities. This move by the Central Banks, not only gave aid to the refunding operation of the Treasury but it also imparted a semblance of stability to a market which had been rather thoroughly disorganized and was bordering on the fringes of disordliness. It was evident to most money market specialists that help would have to be given to the money market, and quickly, if the Treasury was going to carry out the refunding and new money raising operations at rates that would be within a pattern that would be consistent with a monetary policy of ease, or as some say, one of neutrality in a broad overall program of not tight credit. The end of the "bills only" policy of the monetary authorities, does not seem to indicate any drastic change in their program for the management of the money markets, since the bill holdings of the Federal Reserve Banks can be decreased or increased to offset purchases or sales of longer-term Government obligations.

"Managed Bond Market" to Prevail

However, it is evident, that the debt management program will now be based upon economic and financial conditions and not upon an obsessive belief that maturities of the Government debt should be extended irrespective of whether or not conditions would warrant such a course being followed. It is the opinion of not a few money market followers that there will be a managed bond market for a period of time and this eventually will bring about more favorable conditions, not only in the Government market but also in the corporate and tax free markets as well.

Reserve Banks Bolster Refunding Operation

The Federal Reserve Banks in their role as protectors of the refunding operation of the Treasury have been very heavy purchasers of the 1⅝% certificates due Aug. 1, 1958. The owners of the Aug. 1, 4% certificates as well as the September 2¼%s and 2⅜s, in not a few instances were not attracted to the one year 1⅝% issue, and as result did their own refunding ahead of time, with the early 1960 maturities being used by many of them for this operation. In addition, there were many other holders of the maturing and called issues that wanted cash instead of the 1⅝s of Aug. 1, 1958, which meant that the Central Banks had to lend support to the large undertaking of the Treasury in order to cut down the attrition. In spite of the efforts of the Federal Reserve Banks the cash pay out of $2,770,000,000 was still on the large side.

Higher Interest Rates Projected

Even though there will be support for Government securities irrespective of the maturity by the Federal Reserve Banks, there are quite a few money market specialists who are bearish on Treasury issues, aside from the shortest maturities. They are of the opinion that with business conditions on the way to improvement, there will be a change in the easy money policy of the monetary authorities in the future and this will mean higher interest rates.

Debt Limit Must Be Increased

The debt limit of the Government will have to be increased so that the Treasury will be in a position to finance the deficit that is expected in the current fiscal period. The temporary debt ceiling of $280 billions will be upped and there are opinions around that an attempt will be made to put a large part of the increase on a not permanent basis.

C. A. Durand to Admit

George A. Corroon, member of the New York Stock Exchange, on Aug. 1 will become a partner in C. A. Durand & Son, 39 Broadway, New York City, members of the New York Stock Exchange. On July 31 Celestin A. Durand and Celestin A. Durand, Jr., general partners will become limited partners.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Julius L. Chicca, Robert C. McCollum, Frederick L. Scheffler, and Evan W. Vollmer have been added to the staff of Reynolds & Co., 425 Montgomery Street.

Schwanz, Peace, Others Join Taylor, Rogers, Tracy

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill.—F. D. Schwanz, Lewis D. Peace, and other members of the staff of Schwanz & Co., Inc., have become associated with Taylor, Rogers & Tracy, Inc., 105 South La Salle Street, Chicago, members of the Midwest Stock Exchange.

A. L. Maguire Opens

(Special to THE FINANCIAL CHRONICLE)

SANTA MARIA, Calif.—Albert L. Maguire is engaging in a securities business from offices at 301 South Lincoln Street. He was formerly with C. A. Botzum Co.

Continued from first page

As We See It

the bubble on top of it would continue unabated for all time. It has not, and tax collections reflect the fact.

Other Outlays Rising, Too

But other expenditures are rising too, and bid fair to continue upward for a good while to come. Of course, everyone had expected defense outlays to move up, and the complaint on the part of some influential figures in public life is now not that they are doing so, but that they are not rising fast enough and that current plans do not call for sufficient increase during the months and even years immediately ahead. It is in this area that the ordinary citizen feels most helpless. Defense has come to be exceedingly complex and technical. There is wide difference of expert testimony as to what needs to be done to keep abreast of other powers, notably Russia, and few there are who feel competent to judge the merits of these controversies. It is a fact though that, prior to a few years ago at any rate, a great many had come to judge our defense effort almost wholly by the amount of money spent upon it. It seems to us that that tendency is returning, if indeed it is not already here in full force. And in the present state of mind of the nation, compounded of uneasiness about our defenses and a vague notion that we could spend our way out of the recession, few are much disposed to worry about how much is spent for defense and not too much about how it is spent — provided it is spent.

In times like these few take the pains to keep close tabs upon what is being laid out in non-defense areas, or trouble themselves a great deal if large sums are spent. Reckless increases in old age pensions, in aids to agriculture, in housing, and other like outlays become almost a matter of course in such a situation, particularly when an election is in the offing. Such programs — including those insidious guarantee and insurance schemes—tend to glide through to the statute books without attracting more than passing attention. A good deal of this sort of thing is now taking place or threatening to take place. It is a very real danger to our ultimate welfare, not to say solvency.

It is further to be observed that these greatly enlarged requirements of the Treasury have developed at just the time that the Federal Reserve authorities are in the midst of a prolonged and determined effort to force a state of great ease upon the money market. The Treasury has been unwilling to pay rates of interest that would attract investment funds into its coffers, and the Reserve system has come to its rescue with a policy which is designed to enable the Treasury to ignore or defy the natural forces of the market place. The net of it all is and will continue to be that not the savings of the people, but arbitrarily created funds will supply the Treasury with the funds it requires. One cannot, of course, hold the Reserve authorities too much at fault. Popular demand was such that they could hardly do otherwise — and the Keynesian philosophy has now so permeated the thinking of almost all of us that it could hardly be expected that the Federal Reserve authorities would remain free of its fallacies.

The result of what is going on is evident enough from the figures now available for all to read. At the middle of 1957, when the recession is generally held to have set in, weekly reporting member banks held only about $25 billion in governments. The latest report shows that they now hold more than $32 billion, a staggering increase in the course of a single year. The figure, moreover, is still rising, and there is every indication that it will continue to rise for a good while to come. Meanwhile, the Federal Reserve banks increased their holdings of governments from around $23 billion to well over $25 billion over the same period of time. It was the resulting enlargement of the reserves of member banks that enabled them to absorb so many government obligations and still have more free excess reserves by a wider margin than they had a year ago.

New Deal Sins Again

This seems to us to repeat one of the worst of the economic sins of the New Deal days. In a very real if not a technical sense the process amounts to the coining of Treasury deficits into the currency of the realm. It places in the hands of various groups funds which do not correspond to the production of goods and services, and which stay out moving from one to another holder, each time bidding for a limited supply of goods or services. It is the very essence of inflation. And, incidentally, the course of consumer prices seem to reflect it. Such a course as this may or may not enable us to produce weapons and do the other things which are necessary for defense purposes without at the same time consciously reducing our consumption of other types of goods, but the advantages of such a procedure are quite illusory. We can have our guns and our butter, too, provided we produce them, but this type of financial legerdemain does nothing to make certain that we do produce both.

It is often said that there are no funds already in existence and available to take up such Treasury obligations. The facts, though, belie any such statement. If one takes the trouble to study the figures that the Federal Reserve itself compiles and publishes, one funds that during the past year savings deposits at commercial banks have increased some $7 billion and now stand at the impressive total of over $60 billion. This upward movement has been under way for years, but has risen sharply in recent months. Why should any one suppose that these depositors would not buy governments if yields satisfactory to them were available?

Continued from first page

The Business Outlook

plant and equipment investment.

Because of the proportion of this boom after 1954, some of our observers have feared that we might be in for a more severe recession and a more prolonged period of underutilizing our manpower and our production capacity than now seems probable.

This concern was based on a sound diagnosis because historically the depth of a recession, or down-swing, has been in proportion to the height of the preceding boom. It now appears possible, however, that this diagnosis did not allow sufficiently for the elements of strength and growth in our dynamic economy.

It is true that the rate of family and household formation is down substantially, but the birth rate is still going strong. There has been no recession in the production of babies and this industry, if it may be called such, seems to rest on a solid foundation. While it is true that unemployment has risen, total employment has remained high, and high wages have been paid all along.

For some months prior to last May, total income from wages and salaries declined, but about that time, it began to climb again. And in spite of the substantial dip in economic activity, disposable personal income in the first quarter of this year was down only $4 billion or 1% from its peak annual rate last year.

Then we find that increased government transfer payments, such as unemployment compensation, social security and veterans' benefit payments, have offset nearly $5 billion of the $8 billion decline in the annual rate of labor income.

At the moment, it would seem that a further rise in personal income is reasonably certain for the period ahead, due to the expansion of unemployment insurance, the increase in pay of Federal employees at an annual rate of $1½ billion — including postal employees, civil service workers and the armed forces — and the wage increases for private employees who continue to hold jobs.

Because of this stability of personal income, stability of expenditures has followed. Again, for example, expenditures on services have risen without a break, while retail sales of goods have recovered more than half of their moderate decline.

It is a good question to ask how much of a part the Federal Government has played in soothing the fever of this recession.

Government's Role in Recession

The answer is that apart from the built-in stabilizers, such as unemployment insurance, the only significant steps which government has taken to put a floor under the recessionary tendencies, have been the stimulation of residential construction, a step-up in military and other procurement and public construction, and the easing of credit.

Of these, probably the easing of credit has been the most important. As the supply of loan funds —relative to the demand—has increased, the Federal Reserve Board has cut the rediscount rate from 3½% last November to 1¾% as of now—or by 50%. Furthermore, reserve requirements of member banks against their deposits have been cut. Open-market operations have added to the lending power of banks.

The Federal Reserve is leaning against the recession wind, and is almost certain to continue to do so, unless inflationary tendencies reassert themselves. For this reason, businessmen are doing their best to settle wage contracts which will not force price increases. Indeed, one of the factors postponing full recovery is the insistence of organized labor upon increased wages, greater than any increase in productivity and in the face of above normal unemployment. The best way to stimulate buying is to hold the line on prices and you cannot hold prices when wages are going up.

This shift of credit policy has reduced the cost of credit and has put the banks under pressure to make investments and loans in order to improve their earnings. The prime bank lending rate has been cut from 4½% to 3½%. The prime commercial paper rate has dropped from over 4% last November to about 1½% recently. Interest rates on long-term government and corporation bonds have declined.

Even though business has declined, the money supply has not been allowed to run off, as was true in the great depression in the 1930s. If time deposits are included in our definition of the money supply, the money supply is now about $9 billion above the level of a year ago, and about $6 billion above the peak of prosperity a year ago this month.

Our financial system is sound, and is now highly liquid and favorable to recovery and economic expansion. It is favorable to business refinancing at lower interest costs. Of course, no one would argue that monetary policy alone can stop inflation or arrest recession. But readily available credit is an indispensable, even if not a sufficient, cause of recovery.

Fiscal policy for the next year will also be favorable to economic recovery. The government, in the fiscal year of 1959, is expected to spend over $78 billion, but will collect from business and individuals less than $70 billion in taxes. Personally, I cannot be happy over this particular boost to recovery because when the Federal Government spends more than it takes in, the result is inflationary and I cannot rejoice over a recovery purchased by a depreciation of the currency. Nevertheless, it is one of the factors which will contribute to an end of this recession. And, as we move ahead, the demand on the part of government for goods and services will be stronger — quarter by quarter. State and local government expenditures will also rise by $2 to $2½ billion or more.

Inventory Changes

Possibly more than half of the decline in economic activity has been due to what the economists call the "de-ccumulation" of inventories. That is a hundred dollar word which means that inventories did not A-ccumulate. It means they shrunk. They did not take on weight.

We all know that during periods of high sales and in boom times, the tendency is for inventories to build up at all levels of business and in the hands of consumers.

But once the tide has turned from boom to recession, we tend to pass through a period of living off our inventories. Like Calvin Coolidge once said, there is a time to "use it up, wear it out, make it do."

To go from a period of $5 billion inventory A-ccumulation to $5 billion DE-ccumulation, constitutes a shift in the Gross National Product of $10 billion and can have a marked effect on employment in manufacturing, on transportation and on other sectors of the economy.

In the first quarter of this year, inventories declined at an annual rate of $8 billion, and this rate probably has been continued in most of the quarter just ended.

Inventories are still burdensome in a few lines, but a considerable curtailment has occurred. In the next few months—on the average —we should move from a period of DE-ccumulation to a period of at least stability. This in itself will result in reemployment.

It became obvious last year — when the demand for consumer durable goods declined, that a number of industries had idle capacity — either existing or in prospect. As a result of this picture, there were scissors applied to plans for plant expansion. The trimming is likely to continue well into 1959, but possibly at a decreasing rate. Vacant housing and other space is rising to a certain degree, and repossessions and foreclosures have gone up slightly. But —

On balance, we can say that while not all of the trends are favorable, most of them are now on the plus side.

It is generally believed that the expanding factors will be sufficient to encourage a modest recovery from the recent shrunken level of the economy, but not too much should be expected within the next 60 days.

It is good to note that housing starts have improved. Machinery orders are on the increase. The Federal Reserve index of physical production moved up slightly in May and, probably, in June, after declining for many months. Employment has gained. The construction industry is relatively strong.

These factors, along with increasing government expenditures, are quite capable of giving us a net expansion in the economy after the summer doldrums have been torn off the calendar.

Examines Agricultural Sector

Let me now turn to agriculture.

At the National Chamber, we find that on the demand side, consumer spending continues at high levels with food sales running well over a year ago, and with food merchandisers setting or holding record high sales volumes. Our people have plenty of

money for food and they are buying it. They are eating well.

But exports of farm commodities are generally down. Reduced exports of wheat are the result of larger supplies abroad. For the same reason, cotton exports are substantially below last year, plus the fact that there has been a let-down in mill activity in some consuming countries. Lower fats and oil shipments also reflect a better inventory situation overseas, although feed grain shipments are up because of dwindled foreign supplies.

Here at home, farm commodities are plentiful—to say the least. The prospect is for another good crop year, and wheat is already threatening to strain the seams of the warehouses. Meat and livestock may not be at the output level of the past two or three years, but they are relatively abundant, and the outlook is for an increase in the hog and cattle population next spring and thereafter.

As we see it today, livestock prices this fall will decline only on a seasonal basis, but if present indications hold good, cattle and hog prices will show substantial downward adjustments next spring and in succeeding months.

Meanwhile, farmers' cost rates continue at relatively high levels, even though—for the time being, anyway—increases have come to a pause.

Agriculture is becoming more and more of a business. It is increasingly evident that prosperity and stability in agriculture depend on adopting and following well-established business practices in farm operation. Tremendous technical changes have brought the farmer to a greater dependence on urban industry to supply him with the equipment, tools and supplies he requires to function successfully.

It is not exaggerating to say that we are fast approaching a situation where about half the "farming" as we once knew it, is being done off the farm. For example, in the old days—well, not so very long ago at that — the farmer raised on the farm oats and hay for horse power; today he buys oil and gas for the tractor. Formerly, the dairy farmer packaged his milk and delivered it by wagon to the creamery or to the actual consumer. Today the milk is pasteurized, packaged and delivered by someone else off the farm. For this reason, farmers are becoming increasingly concerned with political and union labor pressures which can only raise their operating and their living costs.

The business of farming today calls for a higher capital investment per worker than in most important industries. These capital requirements and the increased volume of business done by the typical farmer are leading to greater credit requirements, both for short-term needs and for long-term operations.

The National Chamber recognizes that the major farm problem today is farm output and capacity in excess of demand at prices that are considered satisfactory to farmers in relation to their costs. If we are going to ease this problem, it can only come about by combination of adjustments in demand, pricing, output and costs.

To some extent, at least, the problem in its present size is the direct result of past mistakes in governmental farm policies and programs. An extensive revision of the role of government in agriculture is urgently required.

It should not be the obligation of government to guarantee the prosperity of any segment of the economy — including agriculture. We recognize that because of the peculiar economic exposure of agriculture, that some minimum temporary price protection may be needed in emergency periods of relative farm price decline. But such price cushions should provide **gradual adjustment** so as to lead farmers back to supply and demand conditions.

We believe that national farm programs and the farm economy should rely in the main on the forces of supply, demand and technology, which can not be ignored or circumvented. This means that the levels of production and the general operation of the farm business should be determined by economic forces working through the price mechanism in a free economic system. It means that the choices in the use of land, labor and capital should be left to the farmers themselves.

We see no way out for the farm business except by a series of adjustments that farmers themselves must make. These include pricing commodities so that they will move into markets with an increasing demand; shaking down production to levels the markets at home and abroad will take; maintaining and improving efficiency of production so that costs can be reduced.

These adjustments will be painful and difficult for some farmers. For that reason, we think it is important that such adjustments be made gradually so as to avoid unwisely and unduly disrupting the farm economy.

Growing Farmer-Businessman Affinity

I want now to give a brief report of National Chamber agricultural activities. First, on the business aspects of farming. The ever - increasing importance of business principles and practice in farm operation is bringing farmers closer to other businessmen in their interest and outlook.

We are at work to develop between farmers and other businessmen an improved recognition of their common aims and goals, their identical interest and their mutual stake in a strong and free economy. This we carry on by specific programs working through local chambers of commerce and other business organizations, and by practical day-to-day work in cooperation with farm organizations and farm leadership.

At the legislative level, our agricultural work emphasizes education and information material supplied to the business community in order that policy and programs for agriculture may be more realistically understood and appraised. At the congressional level, we actively support programs to promote the adjustments I have mentioned, and in line with the policies reviewed.

More specifically, we cooperate at this level with farm organizations to advocate more realistic pricing policies, to free the farm business and farmers from governmental controls and regulation, and particularly to reduce the heavy and competitive hand of government in our market institutions.

One of the principal adjustments in the farm problem is the need for many farm people to find ways of increasing their productivity and therefore their incomes whether on the farm or in other economic pursuits. For this reason we support the sound measures exemplified in the Rural Development Program by which rural people with low incomes may be helped or stimulated to make the necessary adjustments to modern farming.

We actively support at the level of national legislation the general approach and thinking of those who are devoting their efforts to diminish the role of government in agriculture and to lead the farm economy in the direction of a strong and dynamic business in which farmers are able to earn rewards for their capital and labor comparable to those in other pursuits.

LETTER TO THE EDITOR:

Reader Offers Tongue-in-Cheek Investment Glossary

Glossary of terms used in investment field is presented with humorous touch by Detroit broker-dealer.

Editor, *Commercial and Financial Chronicle:*

Here follows a semi-humorous glossary of terms used in securities industry which I devised for my own amusement:

Annual Report: A hierarchical vestment; a *sine qua non* of corporate hullaballoo.

Assets: A term that promotes the idea that certain things exist.

Averaging: An easy way to avoid thinking.

Balance Sheet: Addition and subtraction to equalize opposing forces; also used to present a facade of honesty.

Bear: A bilious person.

Blue Sky Laws: The Ten Commandments.

Bull: The conversation in board rooms.

Depreciation: The automobile industry's appraisal of certain senators and union labor leaders.

Director: A member of the house of bishops.

Dow Theory: A neat picture in the realm of non-interpretative art.

Fixed Charges: Gas, telephone, electric power bills, etc.

Government Bonds: The holiest of contracts: the hungry sheep look up and are not fed.

Investment Counselor: An omniscient one.

Load: A term lacking elegance and connoting envy; used by those who don't sell mutual funds and by those who don't buy them.

NASD: A clean life.

Paper Profit: A tax-free increment; good drawing room stuff.

SEC: The gods on Olympus.

Short Sale: A paid magazine subscription.

Technical Position: Professional jargon designed for worshippers and medicine men.

Wall Street: (1) A community of idealists and altruists; (2) A microcosm of the Middle East.

RALPH FORDON.

Fordon, Aldinger & Co.
Detroit, Mich.
July 10, 1958.

With Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Philip S. Creager is now with Hannaford & Talbot, 519 California Street, members of the Pacific Coast Stock Exchange.

Harris Upham & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif. — James W. Auble is now with Harris Upham & Co., 340 East Weber Avenue.

To Be Schweickart Co.

Effective July 30 the firm name of Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange, will be changed to Schweickart & Co.

R. L. Colburn Branch

VENTURA, Cal.—R. L. Colburn Company has opened a branch office at 132 South California Street under the management of Samuel Apple.

Public Utility Securities

By OWEN ELY

Transcontinental Gas Pipe Line Company

Transcontinental Gas Pipe Line operates a 2,815-mile natural gas pipe line network from Mercedes in the Rio Grande Valley of Texas to the Philadelphia-New Jersey-New York City metropolitan areas. Daily Capacity was 948 million cf. in December, 1957, excluding 136 million cf. available from storage. Gas is sold under long-term contracts to a number of utility companies including Philadelphia Electric, United Gas Improvement, Delaware Power & Light, Public Service Electric & Gas, Consolidated Edison, Brooklyn Union Gas and Long Island Lighting. The company also serves the Piedmont District of Georgia and the Carolinas and Virginia. And the marketing area is now being extended to Tidewater sections of the Carolinas and the eastern shore area of Delaware, Maryland and Virginia. While the company competes with other pipelines in the New York area, rates are generally lower than those of competitors; gas is sold in the New York area at about about 36c with a 100% load factor.

The company has enjoyed very rapid growth, with revenues increasing from $39 million in 1951 to $101 million in the 12 months ended March 31, 1958. Continued growth seems likely since the company has forecast saturation gains in space heating as follows:

	1958 %	1961 %
Brooklyn Union Gas	8	14
Consolidated Edison	6	9
Long Island Lighting	12	27
Public Service E. & G.	19	27
Philadelphia Electric	48	55

New housing starts in the service area are promising; the proposed new village of Levittown in New Jersey will have gas heating throughout. Another source of income will be the "wheeling" or transportation of 20-year gas supplies purchased in Texas and Louisiana by Virginia Electric Power, Consolidated Edison, and Long Island Lighting.

The company is currently engaged in a heavy construction program to increase its daily capacity from 953 million cf. to 1,180 million cf. With a third pipe under the Hudson and new loops, more gas will be made available for New York City. The company expects to spend about $127 million on its current construction program of which perhaps $100 million may be spent this year. On May 28 it sold $25 million mortgage bonds and $15 million preferred stock and some common stock may also be sold before the year-end.

To support this expansion program new gas reserves are necessary. The system taps gas fields along 600 miles of the Texas-Louisiana Gulf Coast, with present reserves estimated at 5.2 trillion cf. It now hopes to obtain large new reserves in Louisiana including off-shore areas. Early in July an FPC examiner recommended approval of the company's contracts to buy this gas from a number of producers in Louisiana. The new reserves, estimated at 2 trillion cf., should take care of requirements until 1971, it is estimated. While the cost of this off-shore gas will approximate 23c per mcf. the average cost of gas last year was less than 12c and the average cost is expected to increase only to 14c by 1960. The company is also building important storage facilities in Pennsylvania in cooperation with other pipelines.

The company's last rate increase was decided in the Fall of 1955 and no increases have been put into effect since. Hence no revenues are being collected under bond, and the company is not directly involved in the Memphis decision ramifications. However, with the rising cost of gas the company expects to increase rates late in 1959, and in accord with the Memphis decision it has already obtained an agreement with 39 customers (representing about 95% of volume sales) for this increase. The company was able to earn about 6% in the 12 months ended June 30, 1958, but with higher gas costs the earnings rate will decline unless bolstered by higher rates.

The capital set-up as of June 30, following recent financing, was 68-14-18, and a heavy sinking fund on the debentures (taken care of by depreciation cash) should gradually increase the equity ratio—which would also be increased if equity financing is done later this year.

The company, despite having to meet higher costs of gas, has had an impressive record of increasing share earnings, which have risen steadily from 56c (adjusted for a split-up) in 1952 to $1.36 in 1957 and $1.46 for the 12 months ended June 30, 1958. Some of the success in raising net earnings is attributed to the substantial economies obtained by installing a 36-inch parallel pipe, as compared with the 30-inch original line. In the 12 months ended June, the balance for common stock showed a gain of 17% over the previous period, but the increase in share earnings was reduced to about 4% because of the 10% stock dividend paid last December and the one million shares of common stock sold in November. Of course, recent earnings enjoyed the benefit of cold weather.

The company is paying out about 70% of earnings and the dividend rate had been raised three times in the last two years, the current rate being $1. Last year's dividend payments were 32% "tax free" and a somewhat larger proportion may be tax-free this year. The stock has been selling recently over-counter around 21½ to yield 4.7%.

Cleveland Bond Club Announces Fall Outing

CLEVELAND, Ohio—The Bond Club of Cleveland Fall Outing will be held on Sept. 26, 1958 at The Cleveland Country Club.

Kraft Enterprises Issues 3rd Report

LOS ANGELES, Calif. — In reporting the arrival of his third daughter, Tamra, Verner Kraft, of Oscar F. Kraft & Co., has used the form of an annual statement on behalf of Kraft Enterprises, Inc., which makes a novel and amusing announcement.

Ralph L. Phelps, Opens

(Special to THE FINANCIAL CHRONICLE)

BERKELEY, Calif. — Ralph L. Phelps, Jr. has opened offices at 3124 Eton Avenue to engage in a securities business. Mr. Phelps was previously with First California Company.

Two With Frank Russell

TACOMA, Wash. — George F. Russell, Jr. and Curtis F. Peterson have become associated with Frank Russell Co., Inc., Rust Bldg., as registered representatives. Both are gradutes of the Harvard Business School.

Continued from page 5

Compelling Reasons to Stop Passenger Deficits Problem

service. You notice I say "offering"—not "providing." If you saw the nearly empty and half-empty trains we run only because some of our commissions make us run them, you would see the difference between the two words. We are ready to *provide* service to people we know want it and are willing to pay properly for it. Instead, we are made to *offer* it in markets where we know very well it is not going to be bought, at any price. Year in and year out, that sort of thing costs us millions without really accomplishing anything—except making a lot of unnecessary jobs and giving a few scattered people the satisfaction of making a mass production industry lose money waiting on them individually.

The millions lost in this way are not the whole passenger deficit picture. We also have the inadequate-fare problem, the peak-load commuter problem, the sometimes ridiculous full-crew requirements, the sometimes confiscatory taxes and grade-crossing costs, inadequate mail and express pay, and so on. We feel sure that the better public and governmental understanding of our over-all picture that now prevails will help us solve some of these—but it will do little to help up stop running nearly empty trains unless we also have the help and cooperation of the State Commissions.

Now, we railroad men know State Commissioners are not always free to act as their business judgment dictates. There are sometimes selfish politicans and sometimes selfish unions and sometimes selfish communities in *our* lives, too. Frankly, it is to get you off that hook that we feel it is necessary to give the Interstate Commerce Commission some jurisdiction over local service, rates and fares. I doubt if the Commission appreciates having that one deposited on its doorstep. But its doorstep is wide—and a local fellow that can be right big and noisy on your front porch will have to plead his case quietly there. I know that businessmen do not like to be relieved of responsibility. But I should think state regulators would be mighty glad to get out from under that one, so that they can put your minds on doing a constructive, unpressurized job. Such a job is needed if a lot of railroads are not to be pushed under by their local service problem—and their local rate and fare problems.

I imagine that as I have been discussing some have been thinking: "He just wants to get out of the passenger business, poor fellow."

Well, our railroad does NOT want to get out of the passenger business. We could not if we wanted to: aside from our duty to customers who really want passenger service and are willing to pay for it, we have almost a billion dollars in passenger facilities and equipment — which we could not sell and certainly are not going to throw away. What we DO want is to make our passenger business a BUSINESS—as anything with a billion dollars tied up in it has to be. And we think that the way to make it a business is to do what any business must do: *tailor the product to the market.*

I don't want to take a lot of time about my own railroad. But we do operate about one-seventh of the Nation's passenger trains, and our problems there are a fairly prominent example of the whole problem. So, how do we think our service can be tailored into a true public service that would not be a burden on us?

We operate nearly a thousand passenger trains a day — 235 in through service, 669 in suburban service, and some specials. Our through service is between New York, Philadelphia, Baltimore and Washington—and between those cities on the East coast and Pittsburgh, Cleveland, Detroit, Cincinnati, St. Louis and Chicago. Our suburban service is mostly around Philadelphia and New York. Let's look at those three categories in the order of mention:

Future Plans of Pennsylvania

For many years to come, we expect to operate a first-rate service with adequate frequency and at low fares, between New York, Philadelphia, Baltimore and Washington. The time factor here is not too much of an advantage to the airlines, and the parking of automobiles in those cities now creates a major obstacle to driving. The potential of rail travel between those short haul cities is therefore substantial, and I think this will be good business for our railroad as far into the future as we can foresee.

As to the second category, we expect to provide a de luxe overnight service—and, to some extent, day service — between the large cities we serve. I think we will eventually have only two or three such trains each night between Chicago and the East; and only one or two between St. Louis and the East. Of course, Pittsburgh will have similar service to the East and West. We shall have to develop another way of handling the so-called headend traffic (mail and express), and the answer to that will be, I think, in expedited freight service —probably "piggyback."

It is doubtful if this program for through service will pay its full cost, but certainly with the reduced train mileage involved, plus higher fares for the de luxe service, it should subsantially reduce existing losses and maintain a satisfactory service for the public, who do want good rail passenger service—particularly when other modes of transport are unable to operate.

As to commuters, the heavy commuter service in the metropolitan areas in the East should be continued. We will not be able to charge fares to make us whole on these costs. The question is: "Who is going to take these losses?"—since obviously the railroads cannot keep on taking them. There are very active movements now in several cities to develop plans whereby the railroads will operate the commutation service as agents for the city, or state, or both. We will provide the services requested and at fares prescribed by them. We will be made whole on our costs and be given a fair return on our investment if it is earned.

Mass transporation is the greatest asset in the development of metropolitan centers, and center-city and other property values are very closely tied into it. While I am opposed to subsidy, as such, it seems to me that something along these lines is going to have to be worked out — and I am happy to say that there is now very active support of it. In fact, despite recent costly setbacks on fare and abandonment matters by a couple of our commissions, I believe there is more constructive thinking going on in connection with the passenger problem than I have seen for some time. The press, the public and most commissioners are coming more and more to realize that rail passenger service needs something more than orders to keep it running. If it is to be a real and continuing service, it must run as a business and pay its way.

Along with this tailoring of passenger services goes the necessity of doing something about mail and express. I believe the solution here is going to be in two parts. One is, of course, adequate mail pay. The other is consolidation of the Railway Express Agency and Government parcel post, for the purpose of taking advantage of the economies possible through the elimination of duplicate service. These two reforms would enable us to avoid existing heavy losses in handling both mail and express.

I have spent a bit longer on this one of my three topics than I intended. The other two we can dispose of much more quickly, though they are every bit as important. But I did want to emphasize something I am sure is already known — and which we must face together. *We can no longer bear our passenger deficits. We must tailor our service to the realities. And above all, regulatory Commissions must work with us on that job.* The public and political climate is more and more in favor of this —and we must do it at long last. Arguing about the accuracy of the ICC formula won't help. We both know that there will never be any formula that would apply with equal accuracy to all railroads—or even to all branches of a railroad the size of ours.

Deficits Are Self-Defeating

The second compelling reason is this: *So long as the passenger deficit problem persists, neither the shipping NOR the traveling public can be adequately served.* I don't want to bother you with testimony-type data, but here are some figures that put the situation better than any words I can think of.

On our railroad, the average age of our passenger cars is 31 years; the average age of our freight cars is 27 years. You know what "average" indicates here — it means that a lot of our equipment is a great deal older. It also indicates, correctly, that we have nowhere near the amount of new or almost-new equipment that a railroad that wants to give the best service available anywhere should have. Why not? Well, let's look at our net railway operating income figures for the 10 years 1948 through 1957. In that 10-year period, we had freight service net railway operating income totaling $1,124,046,000. But for the same period, we also had a passenger service net railway operating income deficit of $523,767,000. Because of this passenger deficit, our net railway operating income was scaled down to $600,279,000. Had we not had this deficit, we would have had, after taxes, *$282 million more cash to use.*

You see of course what a difference that $282 million would have made. We would have a lot less old equipment and a lot more new equipment. We would not be facing the huge budget of deferred maintenance we now face, accompanied by huge force reductions. We would have been able to take advantage of more technological advances, giving our patrons the benefit of the better service and lower rates thereby made possible.

Well, the $282 million is gone with the wind instead of into the railroad — and there's no use mourning it. Nor is there any use grinding our teeth because a lot of those millions were tossed away waiting for intrastate rate and fare increases the railroad should have received, and operating trains almost nobody was using or stations that have long since been practically deserted—often simply to gratify local and union pressures. But there is all the use in the world, I submit, in *stopping* that sort of imposition on us and on our customers—and stopping it right now. Otherwise a lot of railroads will not survive —except as bankrupts—and a lot more will not grow in strength and service to the public and to the economy and to the National Defense. I am not crying "Wolf!" — I am only mentioning something that the public now knows.

Duty to Economy and National Defense

This brings me to the final compelling reason why we must face this thing together. *That reason is our duty to the National economy and to the National Defense.*

Let's look first at the National economy. You know as well as I do that this recession is temporary—and that when it eases the economy is going to resume growing. It *has* to—how else can our farms, mines and industry support and service our growing population? This means that year after year more and more raw materials and goods will have to move. Despite the growing extent and capacity of our highways, waterways and airways, they cannot possibly provide all the increase in transport this is going to require. Railroads will still have to do half or more of the total job—and it will be a *constantly growing* job.

So our responsibility—and yours —is unmistakable: *the railroads must grow with the job.* As a citizen and as a railroad man, this is one of my very deepest convictions —and I have been known to hold forth on it for hours. To cut myself short I will quote just three sentences from a recent editorial in *The New York Herald Tribune.*

"Surely it does not make sense to have a nation which is busting its breeches with growth in every direction confronted with slow strangulation by a disintegrating railroad system. . . . A growing country will have to have expanding, not shrinking, railroad service; the latest and best equipment, not antiquated stuff rapidly falling apart. What the country needs is 20th Century transportation."

To get that 20th Century transportation it will be necessary, of course, to invest billions—all of which we must earn in the years ahead.

We have, too, another duty to the nation—and that is to be ready for war. Due to further development of air, highway and waterway carriage, we can expect more help from those forms of transportation than we got in the last war. But we will still be expected to do the major part of the job— and we and you must never forget that. In that connection, you probably know that since the close of the last war, the Russians have been working hammer-and-tongs improving and expanding their railroads—and since Sputnik we should have a pretty good idea what happens when the Russians work hammer-and-tongs at anything.

That is what *our* railroads had better be doing, too—both for the economy's sake and for the sake of national survival. It is in that interest that we ask you and your colleagues all over the country to let us do this job—and in fact help us with it.

Continued from page 11

Trends in Social Welfare Expenditures and Programs

of programs, it is estimated that public expenditures of $33 billion in 1957 should increase to between $62.5 and $75 billion by 1967.[4] Omitting education, for the other two types of programs it is estimated that public expenditures of $20 billion in 1957 should increase to between $38.5 billion and $45 billion in 1967. This will involve a doubling of dollar expenditures. Can we attain this goal in the next decade? I think we can, if we maintain a healthy, growing, expanding economy.

These expenditures for health and welfare amounted to 4.6% of the Gross National Product in 1957. Depending upon the future Gross National Product, the projected expenditures for 1967, in the Rockefeller Report, range from 6 to 6.6% of Gross National Product. Thus, while public expenditures are estimated to double in terms of dollars, the increase is about 40% in relation to the Gross National Product.

Total Social Welfare Expenditures

Let us now look at the situation from the standpoint of all social welfare expenditures, public and private. A true measure of the impact of social welfare programs upon individuals and the economy involves the combination of both public and private expenditures. Unfortunately, a periodic total of both kinds of expenditures is not available. The Twentieth Century Fund made an estimate for the year 1950, and a projection for 1960, and with some modification and broadening in this approach, I have prepared the estimate of $60 billion for 1957.

Private expenditures (or more specifically, all non-public expenditures) for health, education, and welfare are equal to about one-half of the public expenditures or about one-third of the combined total.

The private share is highest for health (about 66⅔ to 70%) and the lowest for education and welfare (about 20 to 25%).

Private expenditures may be identified as direct consumer expenditures such as individual and family expenditures for medical care and education; employer and employee contributions for retirement, disability, and life insurance, and philanthropic contributions to private agencies. Somewhat different forces are at work in these three areas. While we cannot explore here the impact of these forces, we can illustrate some of the likely differential effects upon different programs.

Contributions to health, welfare and pension plans will undoubtedly increase in absolute amounts and probably relative to Gross National Product, although this will depend upon the extent of changes in our social insurance programs. Payments by individuals for life insurance, while increasing in absolute amounts, may remain relatively stable in relation to increased Gross National Product. There are conflicting forces at work which may change these trends.

Health Expenditures

Several long-term trends are most evident in the field of medical care. These may be summarized as follows:

(1) There has been an increase in the share of the national income allocated to medical care.

(2) An increasing proportion of medical care costs is being met through insurance and through public funds.

Both trends appear likely to continue in the future.

Total medical care expenditures

4 *Ibid.*, p. 68.

have quadrupled during the past 25 years, the per capita expenditures have trebled, the proportion of the total spent from public funds has more than doubled, and a larger percentage—closer to 5% at the present time, instead of 4% as in the past—of our national income goes for medical purposes.

Total medical expenditures average about $100 per year for every man, woman and child in the nation. The total medical bill is thus about $18 billion for the country as a whole. The consumer's share in these costs — while increasing in absolute amounts — has been decreasing relatively as the share from public sources increases. Philanthrophy and business provide a small but slowly increasing share of the total.

With a growing and aging population, and the demand for more and better medical services, these expenditures will continue to increase. Medical expenditures are increasing approximately one-half billion dollars annually. It will not be many years, at the present rate, until medical expenditures exceed $25 billion annually.

Insuring the costs of medical care has tended to increase expenditures for two reasons: (1) by eliminating the financial barrier to medical care and (2) by adding the overhead costs of providing the voluntary insurance protection. As voluntary insurance coverage continues to increase, these two factors will continue to operate unless there are economic or social changes in the provision of medical care which are not now visible.

Twenty-five years ago, the use of the insurance method was a controversial issue in medical care. This is no longer true. Today, the public wholeheartedly accepts the insurance principle, as do the hospitals and, to some extent, the physicians. Every effort is being made to extend it on a voluntary basis and to expand it to cover a larger proportion of people and a larger proportion of medical costs. Nevertheless, a substantial proportion of low-income persons and high-cost services are still excluded from insurance coverage. It is doubtful whether existing voluntary arrangements can or should cover these areas completely. While the exact character and extent of financing from public funds is a controversial issue when approached from the standpoint of "principle," the most likely new approach to the problem may pragmatically develop as a result of the special health needs and costs of the aged.

Philanthropic Contributions

Now let us look more intensively at the area of philanthropic contributions.[5] Total religious and philanthropic contributions were $5.9 billion in 1955, or 1.5% of the gross national product. In 1929, they were 1.2%, while in 1930 and 1947 they reached 1.6%. If we assume a gross national product of $707 billion for 1967 (based on a 5% growth rate) and assume that 1.6% will be contributed from all philanthropic sources, then a total of $11.3 billion would be available—or nearly twice that of in 1955.

There is no question that this amount could be used. There are many social welfare needs which are not being fulfilled for which voluntary agencies are suitable. Is it possible to raise this much money through existing arrangements?

The Rockefeller Report points out:

"Charitable contributions by individuals have risen to unprecedented levels. In addition, a fairly recent development in private philanthropy is the increase in corporate giving for educational and general welfare purposes. . . . We should give every impetus to accelerating the upward trend of corporate giving in the next decade."[6]

What effect a significant shift from individual to corporate giving will have on our voluntary institutions and agencies merits very careful reflection and review.

Philanthropic contributions for health and welfare purposes represent about $2 billion of around $20 billion of all private health and welfare expenditures or approximately 10% of the total. While the amount expended has increased five fold from about $400 million in 1930 to $2 billion in 1955, the proportion of the gross national product has increased from about four-tenths to about five-tenths of 1%—about 25%. If about five-tenths of 1% of a gross national product of $707 billion were raised from philanthropic contributions for health and welfare purposes, the total would be about $3.5 billion.

It thus appears that philanthrop contributions are likely to be even a smaller share of total social welfare expenditures in the future unless there are some changes in our tax laws or sources of contributions, or an increase in philanthrophy, as incomes rise.

Total Social Welfare Expenditures for 1967

To present overall projections for all social welfare expenditures, public and private, for a decade ahead is a perilous attempt and most likely to be wrong in retrospect. But it will give us a provocative target to shoot at.

In order to fill existing gaps and to meet the needs created by the explosive population growth ahead, a substantial dollar increase in expenditures for health, education and welfare will be required. Some of the additional funds will come directly from the consumer (for medical care), some from private sources (private pension, health and welfare funds and philanthrophy), and a major proportion from public sources (for education, health services and social security). If our gross national product grows at 3% per year, it will be about $583 billion in 1967, in which case expenditures of $90 billion — about $30 billion more than at present — would come to about 15% of the gross national product. With a gross national product growing at 4% annually, we could reach a total product of $642 billion, which would make the total expenditure of $90 billion about 14%—the same as today. The Rockefeller Report indicates a needed increase of $30 to $42 billion in public expenditures alone. If our gross national product increases at a 5% annual rate to $707 billion in 1967, we could increase present social welfare expenditures from $60 billion to $100 billion without increasing the proportion of the gross national product allocated for this purpose.

Assuming that this goal is an attainable objective from an economic point of view, the major policy question is how can we proceed to develop more effectively and more promptly the necessary social and fiscal policies and modifications of existing arrangements which will make it possible to reach this objective in an evolutionary manner consistent with other national goals and values.

Several devices come to mind: expansion of the social insurance principle; broadening of services; extension of research, demonstration projects and training of personnel; and more effective use of the grant-in-aid system.

Strengthening the Federal-State Cooperative Programs Relating To Social Welfare

There are many aspects of public policy raised by the projections and speculations I have but briefly and incompletely outlined in this paper. I have outlined my recommendations in the social welfare field in detail elsewhere.[7] But I cannot refrain from including one specific here, namely, the use and improvement of the Federal grant-in-aid system.

Federal grants-in-aid for *all* purposes (including highways, airports, urban renewal and many other functions) totaled about $3.5 billion in 1956 or 1.1% of personal income.[8] From the standpoint of the national economy, or the Federal Budget, they are not large but are very important. The Federal-State cooperative grant-in-aid mechanism is a great social invention which has demonstrated its usefulness but which has not yet been used to its maximum potentialities.

The Federal-State cooperative grant-in-aid system of health, education and welfare which we have developed over many years in this country enables us to achieve essential national objectives which decentralized administrative responsibility and with wide latitude for adjustment of many details to special circumstances. We should strengthen and broaden this system—rather than weaken or dismantle it as has been suggested in some quarters.

Federal grants to the States have not weakened the States but have strengthened them and preserved the Federal-State system in this country. We will not be able to meet the rapidly changing and expanding social and economic needs of our nation without building upon the Federal-State system. It is not difficult for a high school sophomore to catalogue in great detail various minor criticisms and defects of the Federal-State system just as it is possible to do with the institutions of marriage, the family, democracy or the Congress. But it is much more important to keep the large picture in mind and to recognize that the Federal-State system enables us to seek and find ways to accomplish broad and important national objectives for the conservation of our human and natural resources with decentralized administrative responsibility and wide latitude for adjustment of specific policies to varying needs and changing circumstances.

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5 See Thomas Karter, "Voluntary Agency Expenditures for Health and Welfare from Philanthropic Contributions, 1930-55," *Social Security Bulletin*, February 1958.

6 P. 51.

7 "Health, Education and Welfare Policies and Expenditures for Economic Growth and the General Welfare" in *Federal Expenditure Policy for Economic Growth and Stability*, Joint Economic Committee, 85th Congress, Nov. 5, 1957, pp. 919-955.

8 Sophie R. Dales, "Federal Grants to State and Local Governments, 1955-56," *Social Security Bulletin*, June 1957, pp. 11-15.

Three With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edwin P. Balmer, Robert A. Johnston and John E. McGhee have joined the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges.

Ingalls Snyder Admit

On Aug. 15 Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange, will admit Marjorie Riegel Ingalls to limited partnership.

Joins McDonald, Holman

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Raymond L. Sodersten has become affiliated with McDonald, Holman & Co., Inc., 214 North Canon Drive. Mr. Sodersten was previously with J. Logan & Co.

Railroad Securities

Texas & Pacific Railroad

Texas & Pacific is expected to continue its regular dividend payments this year despite the drop in earnings during the early months of this year. Last year the road paid a total of $8 in dividends, including a year-end extra of $2 a common share.

Revenues in the first five months of this year fell 9.9% under the like 1957 months. This was caused by a cutback in oil production allowables and the general business recession. Despite a sizable reduction in roadway maintenance outlays, operating expenses were down less than gross revenues, with only moderate cuts being made in equipment repairs and transportation costs. Federal income taxes were lower during the period, but net income was off 58.3%, amounting to only 72 cents a common share as compared with $3.50 a share in the corresponding months of 1957.

Even with the drop in earnings, the carrier continues in a good financial position. At the end of May, cash items amounted to $13,460,000 while current liabilities totaled $9,711,000. Net working capital aggregated $15,394,000, off from $17,381,000 a year earlier. Depreciation charges should exceed 1958 equipment maturities by more than $1,000,000 adding to the cash flow, and total tax deferrals this year should amount to more than $1 a share.

Of particular interest in Texas & Pacific are Missouri Pacific large holdings of the company's securities. At the end of May, Missouri Pacific owned 77.8% of the total of Texas & Pacific shares outstanding. This included all of the preferred stock and 64.3% of the common. Only 13,459 additional shares are needed for an 80% stock interest, the amount necessary for filing consolidated tax returns. Either eventual consolidation with the Mo. Pac. or a leasing of the property by the latter with a guaranteed dividend is anticipated. As a matter of fact, a preliminary merger report has been received by Missouri Pacific directors and the subject is expected to be discussed at the August meeting of the directors.

Progress continues to look bright for continued industrial expansion of the service territory and also the petroleum industry. The railroad owns 105,196 shares of TXL Oil which has speculative possibilities.

It is believed earnings in coming months will show some improvement. Freight traffic was off 9.4% in the first half from a year ago, but traffic comparisons are likely to be better in coming months. Oil inventories have been reduced and there has been an increase in production allowables. This will increase shipments of petroleum products and could result in large movements of drilling equipment. Lumber and building supply materials traffic probably will increase with additional home construction, and a general revival of business activity would aid carloadings.

Increase labor and material costs have lowered profit margins. The transportation ratio in 1957 rose to 37.2% against 35.3% in 1956 and a further rise is anticipated this year. The higher costs will be offset to some extent by higher rates and completion of improvement projects. The carrier's modernization program includes the installation of centralized traffic control, yard changes and mechanization of maintenance operations.

Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Clarence L. Warren has become connected with Francis I. du Pont & Co., Statler Center. He was previously with E. F. Hutton & Company.

Continued from first page

American Wage System: Its Effect Upon Economy

have behaved as if the country were experiencing not a mild contraction, but a serious recession. As a result, inventories have been cut at record - breaking rates and there have been moderately large reductions in outlays on plant and equipment. The behavior of businessmen would have converted the mild contraction into a serious recession had it not been for the stabilizing influence of steady personal income.

Quite different from the behavior of businessmen has been the behavior of the Federal Government. While businessmen were acting as if the country were facing a serious recession, the Federal Government went to the other extreme—it took the position that there was no need for vigorous anti-recession measures. The steps eventually taken by the Federal Government to retard contraction were in the main belated steps initiated by Congress, not by the executive. The Eisenhower Administration should be thankful that steady personal income prevented the government's policy of a minimum of action from exposing the country to grave hardships.

II
How Steady Has Personal Income Been During the Recession?

Just how steady has personal income been during the recession? Between the third quarter of 1957, the high quarter of the boom, and the first quarter of 1958, the low quarter of the recession, the annual rate of production dropped by \$19.8 billion, or 4.4%, but personal income dropped only \$4.8 billion a year, or 1.4%. Between the high month (August, 1957) and the low month (February, 1958), the drop in personal income was \$5.7 billion a year, or 1.6%. Ever since February personal income has been rising. In June, it was \$5.4 billion a year above February, and just a shade below August, 1957, the all-time high. In July, 1958, personal income will undoubtedly set a new all-time high.

III
The Reasons for the Steadiness of Personal Income

Why has personal income remained so steady? Various influences have contributed to the result. Personal interest and dividend payments have remained unchanged and were as high in February, 1958 (the low month for personal income) as in August, 1957 (the high month). Shortages of crops and animals (for which the weather has been largely responsible) raised the index of prices received by farmers from 247 (1910-14=100) in August to 264 in May and raised agricultural income from \$15.5 billion a year last August to \$16.3 billion in February and \$17.4 billion in June. Transfer payments (pensions, unemployment compensation, veterans benefits) increased from \$21.5 billion a year in August to \$23.8 billion in February and to \$26.0 billion in June. But by far the most important cause of the steadiness of personal income is one that seems wholly to have escaped the attention of economic commentators—at least, I have failed to see it mentioned. It is the rise in the hourly earnings of wage and salary workers. Between August and February the hours worked by wage and salary employees outside of agriculture dropped by nearly 6.1%, but wage and salary payments dropped by only a little more than 3.1%, indicating a rise in hourly earnings of about 3.1%. Between August and June the hours worked by wage and salary employees dropped by 6.5%, but wage and salary income decreased by only 2.3%, indicating a rise in hourly earnings of about 4.5%.

Had hourly earnings of wage and salary workers remained unchanged between August, 1957, and June, 1958, wage and salary payments would have dropped by \$15.6 billion a year instead of by \$5.5 billion. Thus the rise in hourly earnings between August and June was adding by June about \$10.1 billion a year to wage and salary income. The addition to wage and salary payments attributable to higher hourly earnings was more than twice the increase attributable to the rise in transfer payments and nearly 58% larger than the combined increase in transfer payments and in agricultural incomes.

IV
The Reasons for the Rise in Hourly Earnings

To some extent the rise in hourly earnings between August and June undoubtedly represents a change in the relative numbers of different kinds of workers employed. It is true that reductions of employment have been largely concentrated in the durable goods industries where hourly earnings are well above the average for non-agricultural employment as a whole. The lay-offs in the durable goods industries would tend to bring down average hourly earnings. But there have been offsetting influences of unknown magnitude. In general, enterprises have attempted to avoid laying off supervisory and technical men, and most enterprises have probably tried to concentrate layoffs among the less skilled and, therefore, lower paid workers. There has been some increase of employment among technical men.

In the main, however, the rise in hourly earnings has been due to advances in wage rates. In spite of the fact that the seasonally adjusted unemployment rate increased from 4.3% last August to 7.5% in April, 7.2% in May, and 6.8% in June, wage rates have continued to rise. There have been millions of individual increases based on merit or seniority. In addition, there have been many thousands of across-the-board increases either negotiated by unions or unilaterally granted by employers. A survey (by the Bureau of National Affairs) of 1,457 negotiated settlements made in the first half of 1958 showed that in only 97 instances, or 6.7%, was no increase granted. In the case of 2,112 settlements made in the first half of 1957 no increase was granted in 109, or 5.2% of the cases. Increases of 13 cents an hour or more were made in 24.2% of the cases in the first half of 1958; in 30.8% of the cases in the first half of 1957.

Of considerable interest is the report of settlements covering 152 companies in a large mid-western city. These companies are small or medium sized concerns employing a total of 33,683 employees, or an average of about 220 employees. The settlements were all made in the first half of 1958. Exclusive of fringe benefits, the weighted average of the wage changes (including the cases in which there was no increase) was an increase of 7.03 cents per hour. In addition, 21 of the settlements included escalator clauses adjusting wages to changes in the consumer price index. In only 10 cases out of the 152, or 6.6%, was no wage increase given. Of these 152 settlements, 36 were negotiated during the first four months of 1958—at the bottom of the recession. Only one of these 36 settlements gave no wage increase. The weighted average increase in all 36 settlements (including the settlement in which there was no increase) was 6.54 cents an hour.

The tendency for wages to continue to rise in the face of a falling demand for labor and in the face of unemployment rates of 6 or 7% is a challenging fact that demands explanation. The explanation is to be found in the American wage system.

V
The American Wage System

The wage system of the United States consists of various institutions, policies, practices, and attitudes that play a part in making money wages what they are. These institutions, practices, and attitudes are not a "system" in the sense that they are all part of some general plan; they are a system in the sense that they interact upon each other and that they all play a role in determining changes in money wages. The elements of the American wage system have changed greatly in the last several decades. Certainly a generation ago one would not have found the American wage system pushing up money wages in the face of a falling demand for labor. The characteristics of the American wage system today and the way in which it operates are conveniently described in the following way:

(1) About 34% of the non-professional and non-supervisory employees in American industry are members of trade unions. Membership in unions is concentrated among craftsmen, operatives, service workers, and non-agricultural workers, of whom about half are union members. Union membership among the rapidly growing numbers of white collar workers is low. There is also great concentration of union membership in manufacturing, where about two-thirds of the workers are organized, and in construction, mining, and transportation, where three-fourths to four-fifths of the workers are organized.

(2) The concentration of union membership increases the freedom of unions to raise wages without exposing their employers and their members to dangerous competition from non-union plants.

(3) Union membership is sufficiently large so that the wages of non-union employees are sensitive to changes in wages among union members. The encouragement which the government gives to collective bargaining increases the sensitivity of non-union wages to union wages. The sensitivity of non-union wages to union wage changes has been illustrated during the recession by the wage increases given by non-union firms in the metal industries in the spring of 1958 at some financial hazard, because they knew that union wages in the steel industry were going up on July 1.

(4) The unions expect a wage increase for their members about every year. In order to achieve this result unions either negotiate one-year agreements or negotiate longer-term agreements with built-in annual wage increases or with annual wage reopening clauses.

(5) The fact that the demand for labor may be contracting and that unemployment may be growing is not regarded by unions as a good reason for foregoing the annual wage increase.

(6) Unions have been guided in seeking increases in money wages mainly by the desire to get as much as they can without involving their members in strikes. Time lost from strikes under the American wage system during recent years has been exceedingly low.

(7) Employers are strongly desirous both of avoiding strikes and of keeping good relations with their men. Hence, employers are willing to concede wage increases even in periods of declining business.

(8) Wage increases conceded by employers reflect business conditions. For example, before the recession in 1957 the rubber workers negotiated the largest increase since 1946 in the tire industry—an increase of nearly 6%. In 1958, with about 25,000 of the union's 180,000 members laid off and with many others working only part time, the union got an increase of only eight cents an hour, or about 3.1%. As pointed out above, the proportion of large increases (13 cents an hour or more) is smaller this year than last year.

(9) The short-run demand for labor is determined largely by the volume of orders on hand rather than by changes in the level of wages. Hence, unless wage increases are large enough to force immediate increases in the employer's selling prices or to cause financial troubles for employers (in the latter event to produce substantial drops in the non-payroll expenditures of enterprises), the immediate effect of wage increases is to raise the total amount of spending (payroll plus non-payroll outlays) in the community.

(10) The fact that wage increases which do not force substantial cuts in non-payroll expenditures of employers tend to increase total spending in the community is of crucial importance. It means that the effect of wage increases on the total volume of spending assists employers in passing on the increases in labor costs in the form of higher prices. As a matter of fact, the price level has risen just about enough in recent years to compensate for the tendency of money wages to outrun increases in physical productivity. Even in periods of mild recession, such as the present one, wage increases that are not large enough to create serious financial problems for employers tend to make spending larger than it would otherwise be. Evidence of this is afforded by the rise in the index of the wholesale prices of finished goods which most completely reflect rising labor costs. This index increased from 118.6 last August to 121.0 in May.

(11) Employers are helped to pass on increases in labor costs in the form of higher prices by the fact that wage increases are quite extensive so that a large part of the labor force receives an increase about once a year.

(12) When wage advances produce higher spending and offsetting price increases, wage increases do not limit themselves by producing unemployment and a serious cost-price squeeze. Hence, the process by which rising wages generate larger incomes, larger expenditures, higher labor costs, and higher prices can go on indefinitely.

(13) Although the American wage system operates in such a way and under such conditions that the wage increases are not self-limiting, no individual employer can be confident of his ability promptly and completely to pass on increases in labor costs in the form of higher prices. Hence, each employer has an incentive to offer considerable resistance to wage increases, and employers do resist union demands. The greater the proposed increase, the greater the resistance he can afford to offer. At the same time, most employers, even in slack times, are willing to offer some concessions in order to keep peace.

VI
The Effect of Wage Increases During the Recession Upon the Liquidation of Inventories and the Cutback of Investment Programs

Is one justified in concluding that wage increases in a mild recession tend to raise the total volume of spending in the economy? If enterprises have larger payrolls because they do not promptly cut their labor forces in proportion to the rise in wage rates, must they not spend so much less on other things? Are not the fairly large cuts in investment programs and the record-breaking liquidation of inventories evidence that in the present recession wage increases have been forcing cuts in non-payroll expenditures, and, therefore, having little net effect on the volume of spending in the economy?

There can be no doubt that in many individual cases the necessity of making larger payroll outlays has forced fairly prompt cuts in other forms of spending. But wage increases as a whole do not seem to have been the principal determinant of decisions either with respect to investment programs or inventories. The largest cuts in investment spending have been in industries where outlays in recent years were particularly large (non-ferrous metals, pulp and paper, iron and steel) or where the short-term market and profit prospects do not seem to be good (railroads and automobiles). In pulp and paper, where investment outlays in 1958 are being cut 35% below 1957, there has been only a negligible increase since last August in hourly earnings. On the other hand, in the electrical machinery industry where hourly earnings increased from \$2.06 last August to \$2.14 in April, investment outlays in 1958 are expected to be 4% greater than in 1957—the result of expanding markets. Similarly, in the foods industries where demand is stable, investment programs in 1958 are estimated at only 4% below 1957, but hourly earnings increased from \$1.90 last August to \$2.01 in April.

The drastic cuts in inventories have been largely concentrated in the durable goods industries, especially durable goods manufacturing. Of the total drop of \$3.2 billion in the book value of manufacturers' inventories between August and May, \$2.7 billion, or more than five-sixths, was in the inventories of durable goods manufacturers. But wages in non-durable goods manufacturing rose by the same amount as in durable goods manufacturing — in each case by 6 cents an hour (exclusive of overtime) between August and April.

Up to now there is no convincing evidence that wage increases during the recession have been a major influence in forcing curtailment of investment programs, liquidation of inventories, or cuts in other forms of non-payroll spending. The conclusion is that most wage increases tended to limit the drop in total volume of spending in the economy.

VII
The Need for More Study of the American Wage System

The American wage system is obviously one of the most important features of the economy—but one that has been little studied and that is not yet well understood. In particular, the limits and the conditions under which the wage system produces its present results are not known. One suspects that the operation of the wage system is much affected by the balance of power between employers and employees. If this balance and if the wage changes produced by the wage system were substantially different, the effect of these wage changes upon the economy would be markedly

different. Certainly it appears to be true that the stabilizing effect of the wage system in periods of mild recession stems from the fact that the increases are not large enough to jeopardize the credit standing of many business concerns.

In periods of severe recession the same increases (if unions were strong enough to get them) would probably be disastrous. At any rate, the wage system under present conditions appears to be an important influence for stability in periods of mild or moderate contraction and an important cause of creeping inflation in periods of boom. Just as the American wage system must bear considerable responsibility for the inflationary problems of the country in 1956 and most of 1957, so it is entitled to credit for its contribution to the stability of incomes, spending, and employment in late 1957 and the first half of 1958 when business was rapidly reducing investment expenditures and when the Federal Government was unable or unwilling to make significant increases in its spending.

Attempts to improve the American wage system should take account of the fact that the economy needs a powerful influence making for a slow increase in wages in times of recession. The tendency of the American wage system to produce creeping inflation in good times is more than compensated by its tendency to limit the drop in spending and in employment in periods of mild or moderate contraction.

Witco Chemical Stock At $22.50 a Share

The first public offering of securities of Witco Chemical Co., Inc. was made yesterday (July 30) by an underwriting group managed jointly by Smith, Barney & Co. and Goldman, Sachs & Co. The offering consists of 200,000 shares of common stock, of which 150,000 shares represent new financing by the company and 50,000 shares a sale by a number of shareholders of part of their Witco holdings. The stock was priced at $22.50 per share.

Net proceeds from issuance of the 150,000 shares will be used by Witco for general corporate purposes. The company is engaged in a $4,000,000 construction and expansion program, of which the major project is the construction in Chicago of a phthalic anhydride plant with an annual production capacity of some 20,000,000 pounds and costing approximately $3,500,000. The remainder of the program involves expansion of Witco's asphalt plant at Lawrenceville, Ill. and miscellaneous improvements at other plants. The company currently operates eight plants in the United States and one in Canada, and an unconsolidated subsidiary operates a plant in England.

Founded in 1920, Witco produces a diversified line of chemicals, including synthetic detergents, metallic stearate and other metallic salts, emulsifiers, plasticizers, stabilizers, polyesters, specialized rubber chemicals, and a broad line of asphalts and asphaltic compounds. It is exclusive domestic distributor of carbon black produced by an associated company. Its net sales in 1957 totaled $39,944,488 and in the four months ended April 30, 1958 amounted to $11,761,000.

Dempsey-Tegeler Adds

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Walter MacIndoe has been added to the staff of Dempsey-Tegeler & Co., Farmers and Merchants Bank Building. He was formerly with Walston & Co., Inc.

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Management's Nightmare

of supply abroad. And above and beyond these direct connections, there is the urgent political need to bind together the nations of the free world with the strong ties of trade. Less trade means more trouble, the President has said. This is true domestically. It is true also of world trade.

In our own company we have sought to build our International Division on the idea that we are not an American so much as an international concern, giving promotion from country to country according to talent and ability. Thus, our general manager in Sweden is a Dutchman; our managing director in the United Kingdom is a Canadian; in Belgium, a Frenchman, and so on. And on a walk through the executive offices of our International Division in Detroit, one will hear a variety of accents from the various nationalities by which it is staffed.

We have plants in Plymouth, Michigan, that export to the world. But we also have plants in England, Scotland, and on the continent that export to equally as many countries, including the United States. Whether we are speaking of domestic operations and the integration of various specialties in a comprehensive marketing plan, or whether we are speaking of the total operations of a corporation both at home or abroad, our problems require that we stretch our minds to ever broader concepts. In selecting and promoting men, therefore, we find we must look for those who have a comprehensive understanding of the problems of business management and of the business world in general, in its relation to the rest of society and the world.

From all I have said you will have concluded that I believe that the task of management in the period ahead will be even greater than in the past. But what of the current recession? Will this setback destroy our hopes? Hardly a day goes by when we are not asked, how do you see the future? What is your prediction for 1958 and 1959? First, let me say with all emphasis that I believe the American economy will continue to grow rapidly, and every reputable study confirms this optimism. Indeed, supposing that the gross national product grows at the rate of 4% annually, which has been the rate of postwar growth, then we can expect the economy to reach the fantastic level of $642 billion in 1967—and those are 1957 dollars. That means an increase of 32% in 10 years.

Now this is the important point. To produce at this level in 1967 we will have a labor force that can only increase 13%. No crystal ball was required to arrive at this particular figure for the simple reason that everyone who is working or could be working in 1967 is presently alive. More specifically, the increase in 1959 of the labor pool over that of 1957 will be 2.9%; in 1960, 4.3%. Not until 1970 will we get the more considerable increase of 21.8% over 1957. The problem in fact is not going to be a shorter work week in the foreseeable future. The question rather is, are we going to be able to do what we can do and should do with the labor force that will be available.

Now Is the Time to Improve

The continuation of a high rate of growth will be by no means automatic. It is true that since the war, total production has been following a 4% annual growth trend. But this is only a trend. For over two years now the pace has been sagging — and we have actually been out-distanced in rate of growth by Western Europe. Surely then, now is the time to review our operations, to install cost cutting equipment, and to streamline or organization for greater productivity. Now is the time to research and develop those products that we are going to need in 1965. Now is the time to increase our selling impact. The dynamism of the American economy is not built in. It must be continually generated by the energy and capacities of American management, and particularly marketing management.

To my own industry this situation is a special challenge. We are preparing to respond to it. We are developing products that will most certainly contribute to the production of more goods at less cost. And we propose to sell them hard. For there is no question what the most important anti-recession measure is. There is no need to look for a secret weapon. As a recent report on the economy suggested, business can do more than any other group to create jobs by introducing new products, by selling aggressively, and by offering better values. The new remedy is the old one—the dynamic power of creative selling.

We have in recent years heard a lot about sales training. What training is needed, where it is to be done, what means should be used, and so on. But one crucial aspect of sales training has unfortunately been omitted. We may be fortunate that we were not able to give our total sales force this experience. But our sales force may be less competent because of the lack of it. What then is this aspect of sales training? It is the experience of selling in a period of declining demand. The majority of our people have known only increasing sales, rising revenue, developing demand. Their records have been made in times of sales acceptance; they are now being tested in times of sales resistance.

I can assure you that I have every confidence that salesmen and sales management will come through this period with the greater confidence that comes with experience — the experience of hard sales. Unless we are motivated by the belief that our product or our service is necessary, then we may as well get out of the marketing field. Success in selling is success in persuading the customer that we can do him a service. In times of boom we perhaps can take advantage of the pleasure that the customer takes in spending. In times like these we must convince him of his need to buy. When the time comes to look back on the present recession, it will, I believe, be seen as a healthy influence in that it promoted efficiency and stimulated renewed efforts. We are, as someone has said, dieting. We have gone into training and nothing but good can come of it. On sounder lines we can now build for the upturn. By the power of creative selling, backed up by integrated marketing planning, we can and will in these urgent times give new strength to business, and also to the nation.

Joins K. L. Provost

(Special to The Financial Chronicle)

SANTA ANA, Calif. — Marvin H. Piper has become affiliated with K. L. Provost & Company, 325 North Broadway. He was formerly with McCormick & Company.

With Graham & King

(Special to The Financial Chronicle)

BOSTON, Mass.—Constance L. Thibault has joined the staff of Graham & King, Inc., 16 Court Street.

Securities Salesman's Corner

By JOHN DUTTON

An Empty Barrel Makes the Most Noise

Sometimes the best way to learn what to do is to watch some other person do things they should not do. There is so much common sense behind good sales psychology that you wonder why certain men completely disregard what their own innate intelligence should have taught them, or the things they should have learned at their mother's knee. As in every walk of human endeavor you will occasionally come across men in the investment business who so completely disregard the every-day rules of human behavior that you wonder how their employer allows them to continue to stay on the job. Eventually they burn themselves out, but unfortunately they also hurt quite a few of their customers who are taken in by their bragging and their verbosity. I am going to tell you about some of these unfortunate fellows I have met, and a few of them have actually been composites of several of these characters. They would have acted the same on Broadway, in an office or a shop, as they do in Wall Street — just empty barrels who make a lot of noise.

Don't Ask Me—I'll Tell You

Our first big time operator is the customer's representative or salesman who doesn't have enough to do taking care of his own customers. He has suggestions for everyone; he criticizes the firm's advertising, stationery, and the arrangement of the office. Before anyone can say a word in a sales meeting he takes the floor. He knows all the answers. Although he has made one mistake after another in handling his own account he is the first to criticize others in the way they are handling their customers, and also their own accounts if they have them. He parades his knowledge (and the lack of it as well) to everyone but himself. I would not want this fellow to talk with any of my customers while I was away from my desk for a day or on a vacation. If he had the opportunity to do so he would be busily engaged in tooting his own horn by undermining the suggestions I have made and telling my customer that they should do this, that, and the other. He wouldn't be content to answer simple questions, furnish quotes, and leave policy to me when I came back to my desk. No, Mr. "Know-It-All" would tell me that he had done me a great favor while I was away and that the way I was handling the account was wrong. This is not an exaggerated case, and although it never happened to me, I can quote such extreme instances of egomania from the experiences of others. If such a fellow were in my employ, I'd fire him on the spot.

The Customer Grabber

In many firms there are floor days, when salesmen and customer representatives are given a day to take care of inquiries from people who may telephone or walk into the office. On such a day Mr. "Customer Grabber" will be at his desk early and if he sees someone that he might engage in conversation he will be right there. Even though this prospective client may have met one of the other salesmen the day before (when he had a floor day) our boy will be right in there pitching. Only after he has tried his best to overwhelm Mr. Prospect with his market savvy, his pleasant personality, and his vast fund of investment wisdom will he then inquire if there was any other salesman who might have met the prospective customer before he did. Then, and only then, will he bow out. Of course, he will state that this looks like a good prospective client but the other salesman who was there first should use different tactics—certainly (he infers) he could do a better job if he had the opportunity but magnanimously he would follow office procedure and turn the prospect back to the salesman who had filed originally on him.

The Second Guesser

Don't imagine for one instant that the second guessers are only confined to the customers. You should meet the fellow who will always tell you what you should have done. If you had only listened to him and bought "Sawed Off Pipe Common" at 20, after he had obtained information direct from his pal who was a salesman for the company, who was out with one of the Second Vice-Presidents and who learned that "Sawed-Off" was going to merge with "Pop-Up Pete," instead of going into that slow moving dog that you bought that has only been paying dividends for 50 years—"how can you make any money that way, now I ask you?"

And so it goes — fortunately there are not too many like these boys still around in the investment business and that is a blessing.

With Dempsey-Tegeler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Erwin E. Schoellhorn has joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Now With Hill Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—George S. Roderick is now with Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange. He was previously with Rogers & Co.

W. E. Hutton Opens Fund Sales Office

W. E. Hutton & Co., members of the New York Stock Exchange, on Monday, Aug. 4, will open a branch office whose activities will be devoted to the sale of mutual fund shares.

The new office, situated in midtown Manhattan at 10 East 44th Street, will offer investors financial planning services which the firm believes are unique in the securities business. The aim of the new W. E. Hutton office will be to offer what the underwriting and brokerage firm terms "financial programming in depth."

Services available to investors at the new unit will include information and advice on various phases of personal money management, including budgeting, savings and investments, and the use of mutual funds as an investment will be stressed.

W. E. Hutton's new office will be managed by Herbert Launer who joined the firm recently after nine years with Bache & Co. For the last three years he had managed that firm's mutual funds department and headed its national mutual funds sales organization. Mr. Launer, who has assisted many people in the formation of investment programs will direct a staff of registered representatives specializing in this type of service.

W. E. Hutton & Co., founded in 1886, has main offices at 14 Wall Street, New York, and in Cincinnati, and has 12 other offices in various cities.

Raymond Colvin Joins Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond W. Colvin has become associated with Pacific Coast Securities Company, 240 Montgomery Street. Mr. Colvin was formerly with Frank Knowlton & Co. and in the past conducted his own investment business in San Francisco.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Laurie R. Miller and Betty H. Tirre have joined the staff of Merrill Lynch, Pierce, Fenner & Smith, Executive Building.

With Jay C. Roberts

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Richard H. Liebman has joined the staff of Jay C. Roberts & Co., 18 Vernon Street.

With Juran & Moody

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Roger K. Winges is with Juran & Moody, Inc., 93 East Sixth Street.

Joins William Milius

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo.—Glennon John Martin has joined the staff of William B. Milius and Co., 101 South Meramec. In the past Mr. Martin was with Fusz-Schmelzle & Co.

Smith, Clanton Adds

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—G. Locke Whisnant has become connected with Smith, Clanton & Company, Southeastern Building.

With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Murray C. Kephart is now with Eastman Dillon, Union Securities & Co., National City East Sixth Building. Mr. Kephart was previously with Cunningham, Gunn & Carey, Inc.

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The State of Trade and Industry

ing 121,000,000 insured Americans, life insurance sales attained a record $67,000,000,000 new coverage in 1957.

In the automotive industry last week United States car and truck manufacturers produced their 3,000,000th vehicle of calendar year 1958 on Friday last, "Ward's Automotive Reports" disclosed.

This trade weekly noted that with the past week's estimated output of 86,003 passenger cars and 16,385 trucks, the 1958 total at the end of the latest work week will reach 3,012,937 units. Through the same date a year ago the count was 4,454,200.

Production was expected to parallel the previous week's assembly of 85,533 cars and 16,187 trucks, noted the statistical publication, despite model run closeouts by three manufacturers. Dodge wound up 1958 model operations in Detroit Thursday, while Chrysler-Imperial in Detroit and Studebaker-Packard in South Bend halted their lines on Friday last. Buick and De Soto ended production earlier this year.

"Ward's" added that several additional General Motors factories are expected to conclude current model making this week, along with American Motors.

Four trucks were idle the past week, according to this trade journal. They were White, Freightliner, Diamond T and Divco. The first three are off because of annual vacations. Divco, in suburban Detroit, is down a week for inventory.

"Ward's" also said new car sales in the United States for the 10-day period of July 11-20 totaled 104,800 units, a boost of 8.9% over the initial 10 days of the month of 96,300 units. However, the figure was 27.7% lower than the 145,000 autos sold July 11-20, 1957.

The valuation of building permits issued in 217 cities, including New York, set another record in June, Dun & Bradstreet, Inc. reports. The aggregate was $701,211,612, up 8.4% over the previous all-time high of $647,007,924 in May. The level was 28.9% higher than the $543,893,626 of June 1957.

New York City building permits for June fell 52.6% from the all-time high of $118,626,434 in May, but exceeded the $55,200,493 of the similar month last year by 1.8%.

The Federal Home Loan Bank board is authority for the statement that the mortgage debt on American homes reached a record total of $109,100,000,000 April 1st. The mortgage debt increased $1,700,000,000 in the first 1958 quarter.

Steel Operations Scheduled This Week to Rise to 58.8% of Ingot Capacity

In the steel industry this week steel demand is rebounding, aided mostly by automotive orders and to a lesser degree by the Mideast crisis, "Steel" magazine reported.

The metalworking weekly stated that initial orders from Detroit have been no bigger than last year's, ranging from 4,000 to 5,000 tons, but they are more than welcome.

Chrysler Corp. and the Fisher Body, Buick, Oldsmobile and Pontiac Divisions of General Motors Corp. are buying. Ford Motor Co. will start ordering soon. About 20% of the tonnage is for August delivery, the rest for September.

As they shake loose some substantial orders for cold-rolled sheets, bars and stainless strip, automakers will also issue release dates to their parts suppliers. They will soon be ordering steel for frames, springs and stampings, continues this trade magazine.

Although trouble in the Mideast flared up a few days before automakers began ordering steel, it has nothing to do with the carbuilders' buying. They were influenced solely by conditions in their industry, low steel stocks and a desire to get started on 1959 models.

Barring a world war, it is unlikely that steel will be hard to get in the near future. But fear of a shortage may cause some consumers to step up their ordering. The possible result is a widespread reversal of inventory policy, "Steel" pointed out.

In one case, at least, increased demand for steel could be traced directly to the Mideast situation. An oil drum manufacturer who had been restricting his sheet supplier to shipments of a few carloads a month announced that he wanted all his orders delivered at once. He guessed that more drums would be needed to airlift oil to our beleaguered allies.

Prospects for recovery in oil country goods are enhanced by two factors: (1) Arabs may cut oil pipelines, necessitating increases in American, Canadian and Venezuelan production to supply Europe, and (2) The Texas Railroad Commission raised the limit on producing days from 9 to 11 a month, starting in August. Texas bankers are revising policies. They will lend more money to drilling contractors.

As they release their second quarter earnings, steelmakers continue to stress the need for higher prices. Most observers think United States Steel Corp. is waiting for a stronger market before announcing increases. The unexpected events in the Mideast could speed the price decision.

Last week, steelmaking continued its steady recovery from the July 4 setback. Furnaces were operated at 566% of capacity, up half a point. Production was about 1,512,000 net tons of steel for ingots and castings.

Scrap prices were up the fourth week in a row. "Steel's" composite on the prime grade rose to $37.67, up another $1. Mill buying is lagging, but a pickup in demand is expected next month as Detroit enters the steel market, concludes this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *98.7% of steel capacity for the week beginning July 28, 1958, equivalent to 1,586,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *96.2% of capacity, and 1,546,000 tons a week ago.

Output for the week beginning July 28, 1958 is equal to about 58.8% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 57.3% the week before.

For the like week a month ago the rate was 85.7% and production 1,376,000 tons. A year ago, the actual weekly production was placed at 2,033,000 tons, or 126.6%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Climbed for the Fourth Straight Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 26, 1958, was estimated at 12,319,000,000 kwh., according to the Edison Electric Institute. Output last week recorded the fourth straight week of gains.

For the week ended July 26, 1958, output increased by 62,000,000 kwh. above that of the previous week, and 76,000,000 kwh. over that of the comparable 1957 week and an increase of 1,024,000,000 kwh. above that of the week ended July 28, 1956.

Car Loadings in Latest Week Climbed 18.5% Above The Preceding Period Which Was Affected by the Miners Annual Vacation

Loadings of revenue freight for the week ended July 19, 1958, were 90,675 cars or 18.5% above the preceding week, which was affected by the second week of the coal miners' annual vacation.

Loadings for the week ended July 19, 1958, totaled 581,817 cars, a decrease of 161,542 cars, or 21.7% below the corresponding 1957 week, and a decrease of 66,675 cars, or 10.3% below the corresponding week in 1956.

Automotive Industry Turned Out Its 3,000,000th Vehicle Of Year 1958 Last Week

Automotive production for the week ended July 25, 1958, according to "Ward's Automotive Reports," saw the industry produce its 3,000,000th vehicle of the calendar year 1958 on Friday last.

Last week's car output totaled 86,003 units and compared with 85,533 (revised) in the previous week. The past week's production total of cars and trucks amounted to 102,388 units, or an increase of 668 units above that of the previous week's output, states "Ward's."

Last week's car output increased above that of the previous week by 470 units while truck output rose by 198 vehicles during the week. In the corresponding week last year 119,857 cars and 21,798 trucks were assembled.

Last week the agency reported there were 16,385 trucks made in the United States. This compared with 16,187 in the previous week and 21,798 a year ago.

Lumber Shipments Were 3.5% Above Output in the Week Ended July 19, 1958

Lumber shipments of 487 reporting mills in the week ended July 19, 1958, were 3.5% above production, according to the National Lumber Trade Barometer. In the same period new orders were 14.5% above production. Unfilled orders amounted to 39% of stocks. Production was 23.3% above; shipments 12.9% above and new orders were 5.3% above the previous week and 2.8% above the like week in 1957.

Business Failures in June Touched a Five-Month Low Level

Following a normal seasonal decline, business failures continued down 6% in June to 1,260, the lowest level in five months. However, dollar liabilities rebounded from the May decline to $61,000,000, boosted entirely by a rising number of casualties in excess of $100,000.

Concerns failed at an apparent annual rate of 57 per 10,000 listed businesses, edging up from May and from the previous June, but remaining well below the rate of 69 in pre-war 1939 and the 100 per 10,000 in 1933.

While wholesaling mortality held even with May, casualties in all other functions declined. Construction fell to an 11-month low and retailing continued down to the smallest total so far this year. In fact, eating and drinking places were the only retailers to show a rise from May. In manufacturing, month-to-month trends varied; failures in the heavy industries declined from May but increased in food, textiles, leather, paper and printing.

Although casualties generally ranged 16% above last year in number and 19% in liability size, considerable improvement was noted in construction and in the lumber and building materials trades where noticeably fewer concerns failed than in June a year ago.

Nearly all geographic regions reported lower casualties in June than in May, but six of nine showed increases from the comparable month of last year. The business toll in the East North Central States climbed 50% above a year ago and in the Middle Atlantic States 39%. Increases from 1957 levels were twice as sharp in the large cities as in the non-metropolitan districts. New York, Philadelphia, Detroit, Cleveland, Milwaukee and Seattle suffered considerably heavier casualties. In contrast, fewer concerns succumbed in three regions: the East South Central, West South Central and Pacific States.

Business Failures Turned Moderately Lower Last Week

Commercial and industrial failures declined to 264 in the week ended July 24 from 279 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties remained above the 228 occurring a year ago, they dipped below the 274 in 1956. For the first time in five weeks, fewer businesses failed than in the comparable week of pre-war 1939, when 291 were recorded.

Failures involving liabilities of $5,000 or more decreased to 223 from 241 but exceeded the 195 of this size last year. In contrast, small casualties under $5,000 edged to 41 from 38 in the previous week and 33 in the similar week of 1957. Liabilities ran above $100,000 for 18 of the failures as compared with 32 in the previous week.

The manufacturing toll fell to 45 from 61 a week ago, while milder dips brought wholesaling down to 17 from 23 and commercial service to 21 from 24. On the other hand, retail casualties rose slightly to 139 from 131 and construction to 42 from 40. More concerns succumbed than last year in all industry and trade groups except manufacturing.

The week-to-week decline centered in four of the nine major geographic regions. The Pacific States, with 62 casualties as

against 85 in the previous week, accounted for most of the downturn, while Middle Atlantic failures dipped to 91 from 92 and East North Central to 41 from 47. In contrast, slight increases from last week prevailed in five regions. Mortality exceeded the 1957 level in all regions except the South Central and Pacific States. The sharpest upswings from a year ago occurred in the Middle Atlantic and New England Regions.

Wholesale Food Price Index Turned Fractionally Lower in Latest Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., slipped fractionally last week. It declined 0.5% to $6.62 on July 22 from $6.65 a week earlier, but it was 4.3% higher than the $6.35 of the corresponding date a year ago.

Higher in wholesale price the past week were barley, bellies, eggs, raisins and prunes. Commodities showing declines were flour, wheat, rye, oats, beef, hams, lard, sugar, tea, cocoa, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registered Moderate Declines in the Latest Week

The general commodity price level fell moderately the past week, reflecting lower prices on lard, steers, lambs, rubber and rayon. The Dun & Bradstreet daily wholesale commodity price index declined to 277.87 on July 28 from 279.95 a week earlier and was noticeably below the 294.40 of the comparable date a year ago.

Following the spurt in prices during the preceding week when the Mid-East crisis occurred, most grain prices declined somewhat last week. Although wheat prices held steady at the beginning of the week, they declined at the end of the period as trading dipped. The buying of corn, oats and rice slid down slightly and prices were below those of the preceding week. Wholesalers reported appreciable declines in soybeans futures prices.

Reports of favorable conditions for winter wheat harvesting discouraged the buying of flour the previous week and prices fell moderately. There was a cancellation of the scheduled buying of 30,000 tons by Ceylon during the week.

There was a noticeable decline in sugar transactions resulting in a slight decline in prices. Coffee prices were steady as trading equaled that of the prior week. Although cocoa purchases picked up at the end of the week, prices were down somewhat.

Offerings of steers in Chicago were noticeably below those of the prior week. Trading fell moderately and steer prices were down somewhat. Interest in lambs slackened resulting in a slight price decline. Hog receipts were close to those of a week earlier with trading steady. Hog prices rose fractionally during the week. Volume in lard decreased and prices showed appreciable losses.

Cotton prices on the New York Cotton Exchange moved down continuously during the week, reflecting reports of favorable weather conditions in most growing areas and the lessening of tension in the Middle East. There were some scattered orders, but over-all trading fell below that of a week earlier. United States exports of cotton in the week ended last Tuesday was estimated at 98,000 bales, unchanged from the prior week. For the current season through July 22 exports amounted to 5,601,000 bales, compared with 7,426,000 bales during the comparable period last season. Stocks of cotton now owned by the Government were estimated at about 426,000 bales by the New York Cotton Exchange.

Trade Volume Last Week Showed Gains of 1 to 5% Above a Year Ago

Extensive clearance sales promotions and more hot weather stimulated consumer buying of summer apparel, outdoor furniture and air conditioners, boosting total retail sales moderately over a year ago. There was a slight gain from the prior week in the call for new passenger cars, but volume remained noticeably below last year, scattered reports show.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1% to 5% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: New England States +5 to +9%; South Atlantic +4 to +8; Middle Atlantic +2 to +6; East North Central and Mountain +1 to +5; East South Central, West South Central and Pacific Coast —2 to +2 and West North Central —4 to 0%.

Best-sellers in women's apparel were summer dresses, sportswear, beachwear and fashion accessories. Over-all volume noticeably exceeded that of a year ago. There was a moderate rise from a week earlier in sales of Fall dresses, suits and coats. Extensive reduced-price sales promotions encouraged the buying of men's lightweight suits, summer sports shirts and walking shorts. Volume in children's merchandise was sustained at a high level.

Sales of air conditioners and fans expanded again the past week with volume comfortably over a year ago. Interest in refrigerators, dishwashers and automatic laundry equipment remained at the level of the prior week. Furniture stores reported appreciable gains in purchases of metal tables, chairs and bedding. The call for linens, draperies and floor coverings equalled that of a year ago.

Housewives again stepped up their buying of cold cuts, baked goods, soft drinks and ice cream the past week. There were substantial gains in purchases of canned goods, frozen foods and fresh produce, while interest in fresh meat, butter, eggs and cheese was unchanged from a week earlier.

A noticeable rise last week in wholesale buying of men's and women's Fall apparel occurred. Buyers were primarily interested in women's sweaters, skirts, dresses and coats. Volume in men's Fall suits and dress shirts mounted substantially. Interest in children's back-to-school merchandise expanded, with principal gains in boys' sports jackets and slacks and girls' dresses and sportswear. Some wholesalers reported appreciable gains in reorders for summer apparel.

A marked rise occurred during the week in trading in industrial fabrics and man-made fibers. There was a noticeable gain in transactions in print cloths and broadcloths, but volume in other cotton gray goods lagged. Although interest in carpet wool climbed appreciably in Boston and Philadelphia, sales of woolens and worsteds, were unchanged from a week earlier.

Attendance at furniture showings in Southern markets was better than expected and orders for upholstered merchandise, case goods and bedding equalled those of a year ago. The buying of housewares lagged at the Western Home Goods Market opening in San Francisco with slight year-to-year declines evident. There was a slight rise in re-orders for air conditioners and fans and the call for refrigerators and automatic laundry equipment somewhat exceeded that of a week earlier.

Food buyers stepped up their purchases of canned goods, fresh produce, frozen juice concentrates and picnic food specialties last week. Volume in rice rose again, and wholesale stocks were limited, while interest in dairy products and fresh meat was close to that of a week earlier.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended July 19, 1958, rose 2% above the like period last year. In the preceding week, July 12, 1958, an increase of 5% was reported. For the four weeks ended July 19, 1958, a gain of 1% was recorded. For the period Jan. 1, 1958 to July 19, 1958, a decrease of 2% was reported below that of 1957.

Retail trade sales volume in New York City the past week was 3% to 6% higher than in the like period a year ago.

Summer sports apparel and outdoor furniture were in demand and helped to increase the over-all volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 19, 1958 advanced 6% above that of the like period last year. In the preceding week, July 12, 1958, a gain of 7% was reported. For the four weeks ended July 19, 1958, an increase of 6% was reported. For the period Jan. 1, 1958 to July 19, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

Raymond H. McIntosh With H. L. Jamieson Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond H. McIntosh has become associated with H. L. Jamieson Co., Inc., Russ Building. Mr. McIntosh was formerly a Vice-President of King, Merritt & Co., Inc.

With H. Hentz Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Eugene Schulman is now with H. Hentz & Co., 9680 Santa Monica Boulevard.

Two With Sutro Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John D. Hymes and Richard R. Jennings have become affiliated with Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Two Join Estabrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward P. Almy and Stedman Buttrick, Jr., have joined the staff of Estabrook & Co., 15 State Street.

Then and Now!

"President Eisenhower and other administration leaders have been trying America's patience with a dangerous wait-and-see philosophy. As the downturn began last summer, cheerful statements about a 'rolling readjustment' emanated from the administration. In January, as unemployment figures climbed higher, the pat reassurance became 'Wait and see what happens in March.' But the rolling readjustment lurched downward. Joblessness shot up 1.1 million in January and another 700,000 in February. As March failed to produce an upturn, more patience was requested, with the explanation that only April figures could show what happened in March.

S. H. Ruttenberg

"We have waited. We have seen.

"We have seen unemployment rise more than 50% since December.

* * *

"Unemployment will remain very high—in relation to any period in the last 15 years. Personal incomes are falling and personal consumption expenditures are declining. These problems are here right now. They call for immediate action, a quick stimulus with an immediate effect.

"The right kind of tax cuts can provide that rapid stimulating effect on the economy."—Stanley H. Ruttenberg, Director of Research, AFL-CIO.

This—and much more including insistence upon more help for the unemployed and enlarged public works—reveal the thinking of Mr. Ruttenberg last spring when these views were presented to a joint congressional subcommittee.

It is now midsummer — and we should suppose that Mr. Ruttenberg would like the privilege of editing his copy if that were possible after its publication.

Mark Davids Elected Gov. of I. B. A.

LOS ANGELES, Calif.—Mark Davids, general partner of Lester, Ryons & Co., has been elected a governer of the Investment Bankers Association of America for a three year term, according to an announcement made today by Harvey J. Franklin, Secretary-Treasurer of the California Group. The term becomes effective Dec. 1, 1958.

Mark Davids

Mr. Davids, a graduate of Stanford University, started in the investment banking business in 1925. He was Executive Vice-President of Lester & Co., and became a general partner of Lester, Ryons & Co. upon its formation in 1951.

Lester, Ryons & Co. are members of the New York Stock Exchange with 14 branches in principal Southern California cities. Mr. Davids is also a Vice-President of the Bond Club of Los Angeles.

Other California IBA members who are now serving as governors of the National Association include Curtis H. Bingham, President, Bingham, Walter & Hurry, Inc., Los Angeles; Charles B. Harkins, Vice-President, Blyth & Co., Inc., San Francisco; and Dennis H. McCarthy, Vice-President and Manager, The First Boston Corporation, San Francisco.

Fahey Clark Branch

CINCINNATI, Ohio—Fahey, Clark & Co. has opened a branch in the Union Central Building under the management of Carter J. McCloy.

Open New Branch

BEVERLY HILLS, Cal.—Stern, Frank, Meyer & Fox has opened a branch office at 9675 Santa Monica Boulevard under the management of Aaron R. Eshman.

Walston Branch

PRESCOTT, Ariz.—Walston & Co., Inc., has opened a branch office at 119 East Curley Street under the direction of Charles R. Baird, Jr.

Now Moody Secs.

SPRINGFIELD, Mo.—The firm name of Moody Investment Company, Woodruff Building, has been changed to Moody Securities Company.

Harold C. Richard

Harold C. Richard passed away July 28 at the age of 73. Mr. Richard, who had been in the investment and banking business since 1907, was a special partner in C. B. Richard & Co.

Two With Wachob-Bender

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Lawrence A. Carlson and Frank P. Marks are now with Wachob-Bender Corporation, 3624 Farnam Street.

Joins Sutro Staff

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Albert P. Herzenberg has joined the staff of Sutro & Co., 55 North First Street.

Foster Marshall Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—George C. Drougas is now with Foster & Marshall, Southwest Sixth Avenue at Oak Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958. **Price**—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ **Aircraft Armaments, Inc., Cockeysville, Md.**
July 16 (letter of notification) 70,000 shares of common stock (par $1) to be offered for subscription by stockholders of record July 10, 1958 (with an oversubscription privilege). Transferable subscription warrants will be issued at the rate of ⅞th of a warrant for each share now held. Warrants expire Aug. 29, 1958. **Price**—$2.50 per share. **Proceeds**—To reduce its present short-term indebtedness and to procure production and test equipment. **Underwriter**—None.

★ **Allyn & Bacon, Inc.**
July 22 (letter of notification) 42,346 shares of common stock (par $1) to be offered for subscription by stockholders on the basis of one new share for each eight shares now held. **Price**—$6.35 per share. **Proceeds**—For working capital. **Office**—41 Mount Vernon St., Boston, Mass. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Durox Corp., Englewood, Colo.
May 1 filed 2,500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of new plant and establishment of the business at Tampa, Fla., including payment of the balance due on a plant site. **Underwriter**—I. A. I. Securities Corp., 3385 S. Bannock Street, Englewood, Colo.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

★ **American Petrofina, Inc., New York**
July 29 filed $6,950,000 of 5½% subordinated convertible debentures due Jan. 1, 1973, of which $5,000,000 principal amount are to be offered for account of Atlas Corp., and $1,950,000 principal amount are to be offered in exchange for a like amount of 5½% subordinated convertible notes issued June 30, 1958. **Price**—To be supplied by amendment. **Underwriters**—White, Weld & Co., Blyth & Co., Inc. and Hemphill, Noyes & Co., all of New York.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office**—700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ **Apache Oil Corp., Minneapolis, Minn.**
July 28 filed 94,766 shares of common stock (par $2.50) to be offered for subscription by stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Arden Farms Co., Los Angeles, Calif.
June 4 filed 172,162 shares of common stock (par $1) being offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on July 7, 1958; rights to expire about Sept. 22, 1958. **Price**—$14 per share. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000. **Underwriter**—None. Statement effective July 7.

Arizona Color Film Processing Laboratories
July 14 filed 500,000 shares of common stock (par $1). A recission offer is being made with respect to stock offered beginning April 8, 1958 to residents of the State of Arizona. **Price**—$2 per share. **Proceeds**—For land, building and equipment, and working capital. **Office**—Scottsdale, Ariz. **Underwriter**—None.

★ **Arnold Altex Aluminum Co., Miami, Fla. (8/18)**
July 28 filed 300,000 shares of 35 cents cumulative convertible preferred stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—$1,150,000 is to be used for repayment of funds borrowed from James Talcott, Inc., on assignment of accounts receivable and warehouse receipts; $40,000 for the purchase of additional equipment; and the balance for general corporate purposes. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Associated Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None.

★ **Baldwin Laboratories, Inc.**
July 21 (letter of notification) 775 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For a new building; remodeling on farm buildings and working capital. **Office** — 2506 South 105th Ave., Omaha, Neb. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (8/11)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

★ **Berkshire Gas Co.**
July 16 (letter of notification) 18,461 shares of common stock (par $10) to be offered for subscription by stockholders of record July 29, 1958 on the basis of one new share for each 6.5 shares held (with an oversubscription privilege); rights to expire Aug. 21, 1958. **Price**—$14.75 per share. **Proceeds**—To repay short-term notes. **Office**—20 Elm St., Pittsfield, Mass. **Underwriter**—None.

● **Billups Eastern Petroleum Co. (8/4-5)**
May 29 filed $2,500,000 of 7% debentures due July 1, 1993, and 650,000 shares of common stock (par $1) to be offered for sale in units, each consisting of $1,000 of debentures and 20 common shares. **Price** — $1,000 per unit. **Proceeds**—To acquire all of the assets of Orlando Fuel Oil Co., Inc., Florida Service Corp., Billups Petroleum Co. of Georgia, Inc., Billups Petroleum Co. of N. C., Inc., Billups Petroleum Co. of S. C., Inc., Florida Friend Oil Co., Inc., and Your Friend Oil Co., Inc. **Office**—Jacksonville, Fla. **Underwriter** — The Johnson, Lane, Space Corp., Savannah, Ga.

★ **Black, Sivalls & Bryson, Inc.**
July 24 (letter of notification) 125,000 units of interest in Employees Purchase Plan at $1 per unit and 8,000 shares of $1 par common stock which will be purchased in the open market in connection with the plan. **Office**—7500 E. 12th St., Kansas City, Mo.

Budget Finance Plan, Los Angeles, Calif.
June 10 filed 132,000 shares of 6% serial preferred stock ($10 par). **Price**—To be supplied by amendment. **Proceeds**—To be used in conjunction with proposed merger of company and Signature Loan Co., Inc. Stockholders of Budget Finance will vote on proposal Aug. 5, 1958 **Underwriter** — Shearson, Hammill & Co., New York **Offering**—Expected late in September.

● **Buzzards Bay Gas Co.**
July 8 (letter of notification) 11,936 shares of 6% prior preferred stock being offered to preferred stockholders of record July 22, 1958 on the basis of two new shares for each five shares outstanding (with an oversubscription privilege); rights to expire on Aug. 6, 1958. **Price**—At par ($25 per share). **Proceeds** — To pay unsecured notes. **Office**—25 Iyanough Rd., Hyannis, Mass. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

● **CGS Laboratories Inc. (8/6)**
July 11 filed 60,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To repay short-term bank loans, for construction and working capital. **Office**—Ridgefield, Conn. **Underwriter**—Hayden, Stone & Co., New York.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

NEW ISSUE CALENDAR

August 4 (Monday)
Billups Eastern Petroleum Co. ....Com. & Debs.
(The Johnson, Lane, Space Corp.) $2,500,000

August 5 (Tuesday)
Ludlow Typograph Co. ....Common
(Offering to stockholders—to be underwritten by Shearson, Hammill & Co.) 106,156 shares
Minneapolis & St. Louis Ry. ....Equip. Trust Ctfs.
(Bids noon CDT) $2,100,000

August 6 (Wednesday)
CGS Laboratories Inc. ....Common
(Hayden, Stone & Co.) 60,000 shares

August 11 (Monday)
Bankers Management Co. ....Common
(McDonald, Holman & Co., Inc.) $400,000
Utah Power & Light Co. ....Bonds
(Bids noon EDT) $20,000,000

August 12 (Tuesday)
Haratine Gas & Oil Co., Inc. ....Common
(Herbert Perry & Co., Inc.) $299,950
Houston Corp. ....Debs. & Common
(Blyth & Co., Inc.; Lehman Brothers; Allen & Co. and Scharff & Jones, Inc.) 361,880 units
Montana Power Co. ....Bonds
(Bids noon EDT) $20,000,000

August 13 (Wednesday)
Consolidated Natural Gas Co. ....Debentures
(Bids 11:30 a.m. EDT) $45,000,000

August 18 (Monday)
Arnold Altex Aluminum Co. ....Preferred
(Cruttenden, Podesta & Co.) $1,200,000
Pillsbury Mills, Inc. ....Common
(Goldman, Sachs & Co. and Piper, Jaffray & Hopwood) 100,000 shares

August 20 (Wednesday)
Norfolk & Western Ry. ....Equip. Trust Ctfs.
(Bids to be invited) $2,340,000
Public Service Electric & Gas Co. ....Bonds
(Bids 11 a.m. EDT) $60,000,000
Rassco Financial Corp. ....Debentures
(Rassco Israel Corp.) $1,000,000

August 25 (Monday)
Southern California Edison Co. ....Bonds
(Bids to be invited) $50,000,000

August 26 (Tuesday)
New England Telephone & Telegraph Co. ....Debens.
(Bids to be invited) $40,000,000

August 27 (Wednesday)
Pennsylvania Power Co. ....Bonds
(Bids 11 a.m. EDT) $8,000,000

September 15 (Monday)
Gulf States Utilities Co. ....Bonds
(Bids to be invited) $17,000,000

September 23 (Tuesday)
Consumers Power Co. ....Bonds
(Bids to be invited) $40,000,000
Consumers Power Co. ....Preferred
(Bids to be invited) $20,000,000

September 30 (Tuesday)
Mountain States Telephone & Telegraph Co. ....Common
(Offering to stockholders—no underwriting) $70,096,100
Southwestern Bell Telephone Co. ....Debentures
(Bids to be invited) $110,000,000

October 21 (Tuesday)
Cincinnati & Suburban Bell Telephone Co. ....Debs.
(Bids to be received) $25,000,000

Consolidated Natural Gas Co. (8/13)
July 18 filed $45,000,000 of debentures due Aug. 1, 1983. **Proceeds**—For new construction and to repay short-term bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on Aug. 13 at Room 3000, 30 Rockefeller Plaza, New York 20, N. Y.

● **Continental Mining & Oil Corp.**
Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolfe Associates, 1511 K St., N. W., Washington, D. C. **Offering** —Currently being made.

Cooperative Grange League Federation Exchange, Inc.
June 20 filed $400,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock (par $100) and 200,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—To be added to working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

★ **Cotter & Co., Chicago, Ill.**
July 25 (letter of notification) 1,500 shares of class A common stock and 750 shares of non-cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** —For working capital. **Office**—365 East Illinois St., Chicago 11, Ill. **Underwriter**—None.

Counselors Research Fund, Inc., St. Louis, Mo
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment **Underwriter** — Counselors Research Sales Corp., St Louis. Robert H. Green is President.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

★ **Curtis (S.) & Son, Inc., Sandy Hook, Conn. (8/13)**
July 18 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by stockholders at the rate of five new shares for each 17 shares held of record Aug. 12, 1958. **Price**—$19 per share to stockholders; to public, $20 per share. **Proceeds**—To finance additional building, machinery, equipment, and for working capital. **Underwriter**—Smith, Ramsay & Co., Inc., Bridgeport, Conn.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Delhi-Taylor Oil Corp., Dallas, Texas
July 15 filed 575,869 depositary units for the class A stock of the Houston Corp., to be offered for subscription by the holders of common stock of Delhi-Taylor of record May 23, 1958 on a 1-for-10 basis (with an oversubscription privilege). Each depositary unit will represent (a) the beneficial ownership of one share of class A stock of the Houston Corp. and (b) an irrevocable option to purchase 3,945/10,000ths of one additional share of class A stock of Houston during a two-year period commencing on Aug. 15, 1959, or such earlier date as may be determined. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Diketan Laboratories, Inc.
June 10 (letter of notification) 43,336 shares of common stock (par $1) to be offered to stockholders on the basis of one share for each 10 shares held until the close of business on June 20, 1958. **Price**—$1.10 per share. **Proceeds**—For the general fund of the company. **Office**—5837 W. Adams Blvd., Culver City, Calif. **Underwriter** —Lloyd Arnold & Co., Beverly Hills, Calif.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes **Office** — Clifton, N J **Underwriter**—P W Brooks & Co Inc New York. **Offering**—Indefinitely postponed. Statement may be withdrawn. Other financing may be arranged.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock **Price**—At par ($5 per share) **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Evergreen Gas & Oil Co.
June 2 (letter of notification) 1,500,000 shares of common stock (par five cents) **Price**—15 cents per share **Proceeds**—For working capital. **Office**—E. 12707 Valleyway, Opportunity, Spokane, Wash. **Underwriter**—Pennaluna & Co., Spokane, Wash.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

Fidelity Bankers Life Insurance Corp.
March 7 filed 450,000 shares of common stock (par $1) (subsequently amended to 300,000 shares). **Price**—$7 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—Richmond, Va. **Underwriter**—Willis, Kenny & Ayres, Inc., Richmond, Va.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore **Underwriter**—To be named by amendment. Sol Goldberg is President.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Statement to be amended.

Fort Pierce Port & Terminal Co.
May 23 filed 2,138,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. **Office**—Fort Pierce, Fla. **Underwriter** —Atwill & Co., Inc., of Miami Beach, Fla., on a best efforts basis.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) **Proceeds**—To the Attorney General of the United States **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly), Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter** —None.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1) **Price**—$6 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Buckley Enterprises, Inc.

Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E 35th Street, New York 16, N. Y. **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y

Guardian Insurance Corp. Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

● **Haratine Gas & Oil Co., Inc. (8/12-13)**
June 23 (letter of notification) 199,900 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas properties. **Office** —24181 Effingham Blvd., Euclid 17, Ohio. **Underwriter** —Herbert Perry & Co., Inc., New York, N. Y.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. **Office**—Tucson, Ariz. **Underwriter**—None.

● **Houston Corp. (8/12)**
July 3 filed $36,188,000 of subordinated debentures due Aug. 1, 1968, and 1,809,400 shares of common stock (par $1) to be offered in units of $100 principal amount of debentures and five shares of stock. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds, will be used to purchase the notes and common stock of Coastal Transmission Corp., the notes and common stock of Houston Texas Gas & Oil Corp., and 80% of Jacksonville Gas Corp. common stock, and the balance will be added to working capital and used for general corporate purposes. **Underwriters** — Blyth & Co., Inc., Lehman Brothers and Allen & Co., all of New York, and Scharff & Jones, Inc., of New Orleans, La.

Houston Corp.
July 3 filed 818,333 shares of common stock and 575,869 shares of class A stock to be offered to holders of outstanding common, on the basis of 1.51 times for each share of common stock held and approximately 1.5 shares of class A stock for each 381,273 class A share held. (The right to subscribe with respect to 133,850 outstanding class A shares has been waived.) Furthermore, $511,500 of debentures and an unspecified amount of common shares (to be supplied by amendment) will be issued in connection with the acquisition of outstanding common stock of Jacksonville Gas Corp.

Hussman Refrigerator Co., St. Louis, Mo.
June 27 filed 31,584 shares of common stock (par $5) to be offered in exchange for the issued and outstanding shares of common stock (par $5) of Duro-Consolidated, Inc., and for the shares of Duro common which may be issued upon conversion of Duro's $200,000 subordinated convertible debentures, series of 1956.

★ **Industrial Minerals Corp., Washington, D. C.**
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York. **Offering**—Being held in abeyance.

★ **Insurance Exchange Corp., Walla Walla, Wash.**
July 25 (letter of notification) 25,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None. Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

★ **Investors Realty Mortgage & Financial Corp.**
July 24 filed $250,000 of investors income certificates (6% 10-year maturities) and 125,000 shares of class A common stock. **Price**—The certificates will be offered in various denominations at 100% per certificate, and the class A common stock at $2 per share. **Proceeds**—For the purpose of owning, buying and selling, and otherwise dealing in real estate, or matters pertaining to real estate and the improvement thereof, in the areas in which the company will operate. **Office**—Aiken, S. C. **Underwriter**—None.

★ **Jacksonville Capri Associates Ltd., Jacksonville, Fla.**
July 23 filed $325,000 of limited partnership interests. **Price**—$5,000 per unit. **Proceeds**—For the purpose of acquiring and operating the Capri Motel in Jacksonville, Fla. **Underwriter**—None.

★ **Kalvar Corp., New Orleans, La.**
July 28 (letter of notification) 15,000 shares of common stock (par two cents) to be offered for subscription by common stockholders of record Aug. 15, 1958 on the basis of one new share for each five shares held; rights to expire on Aug. 25, 1958. **Price**—$20 per share. **Proceeds**—To retire bank loans, to invest in fixed assets and for working capital. **Office**—909 South Broad St., New Orleans 25, La. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

Laclede Gas Co.
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids** —Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

Laughlin Alloy Steel Co., Inc., Las Vegas, Nev.
June 13 filed $500,000 of 6% unsecured convertible debentures due June 30, 1968 and 150,000 shares of common stock (par 10 cents). These securities are to be offered in 5,000 units, each consisting of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with the $175,000 mortgage loan of the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio. **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland Me.

Longren Aircraft Co., Inc.
June 18 (letter of notification) 34,000 shares of common stock (par $1). **Price**—From 80 cents to $1.40 per share. **Proceeds**—To go to selling stockholders. **Office**—24751

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Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

★ Lord Elgin Hotel Corp., N. Y. C.
July 29 filed $1,655,000 limited partnership interests in this company. **Price**—$5,000 per unit. **Proceeds**—To purchase hotel. **Underwriter**—Tenney Associates, Inc., New York.

● Ludlow Typograph Co., Chicago, Ill. (8/7)
July 11 filed 106,156 shares of common stock (par $10) to be offered for subscription by common stockholders of record about Aug. 6, 1958, on the basis of one new share for each two shares held; rights to expire on Aug. 20, 1958. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Composing room equipment and printing machinery and equipment. **Underwriter**—Shearson, Hammill & Co., New York.

Magna Investment & Development Corp.
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. Statement to be amended. **Offering**—Expected in latter part of August.

Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. **Offering**, which was expected on July 2, has been postponed. Issue to remain in registration.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

● Michigan Gas Utilities Co.
July 9 filed 33,438 shares of common stock (par $5) being offered for subscription by common stockholders of record July 28, 1958, on the basis of one new share for each 10 shares held; rights to expire on Aug. 14. **Price** — $17 per share. **Proceeds** — Together with other funds, will be used for repayment of bank loans and for construction purposes. **Underwriter**—G. H. Walker & Co., of St. Louis, Mo. and New York and Kidder, Peabody & Co. and Stone & Webster Securities Corp., both of New York.

Mid-West Durex Co., Kansas City, Mo.
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 E. Alameda Ave., Denver 9, Colo.

Modern Community Developers, Inc., Princeton, N. J.
May 27 filed 15,000 shares of common stock. **Price**—$100 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Montana Power Co. (8/12)
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids** — Expected to be received up to noon (EDT) on Aug. 12.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Underwriter**—None.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18, 1957 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—1000 Power & Light Bldg., Kansas City, Mo. **Underwriter**—None.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

● National Gypsum Co.
June 25 filed 298,000 shares of common stock to be offered in exchange for all but not less than 90% of the outstanding shares of common stock of American Encaustic Tiling Co. Inc., in the ratio of one share of National Gypsum common for each 2-4/10ths of American Encaustic common. National Gypsum shall have the right, at its election, to accept less than 90% but in no event less than 81% of the American Encaustic common. Statement effective July 17.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

★ New Haven Clock & Watch Co.
July 23 (letter of notification) 300,000 shares of common stock being offered for subscription by common stockholders of record July 29, 1958 at rate of one new share for each share owned (with an oversubscription privilege); rights to expire on Aug. 8, 1958. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriter**—L. D. Sherman & Co., New York.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various—To acquire and operate mining claims and oil and gas equipment, and a reserve for future operations. **Business** properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

★ One-Hour Valet, Inc., Miami, Fla.
July 29 filed 102,566 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah. Statement effective June 5.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

● Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas. Statement effective July 21.

Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

● Peoples Life Insurance Co.
July 1 filed 41,823 shares of the company's outstanding common stock (par $5). **Price**—$42.25 per share. **Proceeds** — To selling stockholders. **Office** — Washington, D. C. **Underwriter**—None. Statement effective July 23.

Peruvian Oils & Minerals Ltd., Toronto, Canada
July 11 filed 200,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Doolittle & Co., Buffalo, N. Y., and Davidson Securities Ltd., Toronto, Canada.

★ Pillsbury Mills, Inc. (8/18)
July 29 filed 100,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriters**—Goldman, Sachs & Co., New York, and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

★ Public Service Electric & Gas Co. (8/20)
July 24 filed $60,000,000 of first and refunding mortgage bonds due Aug. 1, 1988. **Proceeds**—To be added to the general funds of the company, and will be used by it for its general corporate purposes, including payment before maturity of $10,000,000 principal amount of unsecured short-term bank loans made to the company on June 30, 1958, and payment of a portion of the cost of its current construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 20.

Rapid-American Corp., New York
June 19 filed $1,504,000 of 7% sinking fund debentures, due Nov. 15, 1967, together with 105,000 shares of common stock (par $1). **Proceeds**—The debentures are already outstanding having been issued in payment of 47,000 shares of common stock of Butler Brothers which were acquired by Rapid American from 19 persons, including three directors of the corporation. The debentures are being registered against the possibility that they may be sold by present owners. Of the 105,000 common shares, 75,000 are issuable under the company's Restricted Stock Option Plan for officers and key employees, and 30,000 under the Employees' Stock Purchase Plan. **Underwriter**—None.

Rassco Financial Corp. (8/20)
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter**—Pacific Securities Ltd., Vancouver, Canada.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Robosonic National Industries Corp., N. Y.
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

St. Regis Paper Co., New York
July 8 filed 118,746 shares of common stock (par $5) to be offered in exchange for outstanding shares of capital stock of Growers Container Corp., Salinas, Calif., on the basis of one St. Regis share for 18 shares of stock of Growers Container. **Underwriter**—None.

San Diego Imperial Corp., San Diego, Calif.
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Postponed indefinitely.

★ Scholz Homes, Inc.
July 25 (letter of notification) 31,500 shares of common stock (par $1) to be issued upon exercise of options.

Price—The option price to all optionees except Donald J. Scholz is $6 per share (the market price at July 30, 1957); the option price to Mr. Scholz must be at least 110% of the market price, or $7 per share. Proceeds—For working capital. Office—2001 North Westwood Ave., Toledo 7, Ohio. Underwriter—None.

Standard Oil Co. (Calif.)
June 4 filed $150,000,000 of sinking fund debentures due July 1, 1983. Price—To be supplied by amendment. Proceeds—To refinance a bank obligation of $50,000,000 due this year to provide additional capital for the company's overall program. Underwriters—Blyth & Co., Inc., and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y. Offering—Postponed from June 25 by the company "due to market conditions." Issue to remain in registration.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). Price—$5 per share. Proceeds—To be invested in stocks and bonds and to acquire other life insurance companies. Address—P. O. Box 678, Gulfport, Miss. Underwriter—Gates, Carter & Co., Gulfport, Miss.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). Price—For bonds, 95% of principal amount; and for stock $1 per share. Proceeds—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. Underwriter—Southwest Shares, Inc., Austin, Texas.

Sugarbush Valley Corp., Warren, Vt.
June 25 filed $392,800 of 20-year 6% subordinated debentures and 12.766 shares of common stock to be offered in units consisting of $800 principal amount of debentures and 26 shares of stock. Price — $1,200 per unit. Proceeds—For payment of short-term bank loan and working capital. Underwriter—None.

Systron Corp., Concord, Calif.
June 10 (letter of notification) 24,475 shares of capital stock (par $5) to be offered to stockholders on the basis of one share for each share held on June 10, 1958. Price—$12.25 per share. Proceeds—For working capital. Underwriter—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock. Price—$25 per share. Proceeds—For investment. Underwriter—Equitable Securities Corp., Nashville, Tenn. Offering—Held up pending passing of necessary legislation by Congress.

Tennessee Gas Transmission Co.
June 2 filed 1,084,054 shares of common stock (par $5) being offered in exchange for common stock of Middle States Petroleum Corp. at the rate of 45 shares of Tennessee Gas common for each 100 shares of Middle States common. The exchange offer is assured as over 80% of Middle States common stock has been deposited. The offer expires Aug. 8. Dealer-Manager—Dillon, Read & Co., Inc., New York.

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). Price—To be supplied by amendment. Proceeds—To selling stockholder. Underwriter—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). Price—$60 per unit. Proceeds—For working capital. Office—543 Whitehall St., S. W., Atlanta, Ga. Underwriter—None.

★ Time Saver Markets, Inc.
July 14 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—To own and operate a general food market. Office—633 S. Kenmore Ave., Los Angeles, Calif. Underwriter—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. Price—$11 per unit. Proceeds—For working capital. Office—111 E. Main St., Morristown, Tenn. Underwriter—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. Price—$5 per share. Proceeds—To drill two new wells and for general corporate purposes. Underwriter — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). Price—25 cents per share. Proceeds—For land acquisition, exploratory work, working capital, reserves and other corporate purposes. Underwriter—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans-Cuba Oil Co., Havana, Cuba
March 28 filed 6,000,000 shares of common stock (par 50 cents) being offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares of record May 28, 1958; rights to expire on Aug. 1, 1958. Price — 50c per share. Proceeds—For general corporate purposes including exploration and drilling expenses and capital expenditures. Underwriter—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. Price—$4 per share. Proceeds—For drilling for oil and gas. Office—203 N. Main Street, Coudersport, Pa. Underwriter—None.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1). Price—At market. Proceeds—For investment. Underwriter—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. Price—At market. Proceeds — For investment. Underwriter—Stowers & Co., Kansas City, Mo.

★ United Asbestos Corp., Ltd., Montreal, Canada
July 29 filed 225,000 shares of capital stock (par $1) to be issued upon exercise of options exercisable at $4 per share. Proceeds—To pay outstanding liabilities, to increase working capital and for general corporate purposes. Underwriter—None.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). Price — $10 per share. Proceeds — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. Office — Wilmington, Del. Underwriter—None. Myrl L. McKee of Portland, Ore., is President.

★ United Funds, Inc., Kansas City, Mo.
July 28 filed (by amendment) an additional $15,000,000 of Periodic Investment Plans without insurance and an indeterminate number of the underlying shares of United Accumulative Fund and $2,500,000 of Periodic Investment Plans with insurance and an indeterminate number of underlying shares of United Accumulative Fund.

★ United Rent-Alls, Inc., Lincoln, Neb.
July 21 (letter of notification) 490 share of capital stock (no par). Price—$70 per share. Proceeds—For purchase of additional rental equipment. Underwriter—None.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. Office — Houston, Texas. Underwriter — None. Statement effective June 23.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). Price—$4 per share. Proceeds—To purchase equipment and supplies and for working capital and other corporate purposes. Office—Salt Lake City, Utah. Underwriter—Amos Treat & Co., Inc., of New York.

Universal Oil Recovery Corp., Chicago, Ill.
June 4 filed 37,500 shares of class A common stock. Price—$4 per share. Proceeds—For exploration and development of properties, and the balance for other corporate purposes. Underwriter—None.

★ Universal Securities, Inc.
July 22 (letter of notification) 1,500 shares of preferred stock and 20,000 shares of common class A stock (par 50 cents). Price—Of preferred, at par ($100 per share); of common, $7.50 per share. Proceeds — For working capital. Office—405 North Third St., Bismarck, N. D. Underwriter—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). Price—To be supplied by amendment (expected to be $1 per share). Proceeds—For exploration purposes. Underwriter—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. Price—At par (10 cents per share). Proceeds—For mining expenses. Office—305 Main St., Park City, Utah. Underwriter—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. Price — At par ($1 per share). Proceeds — For development of oil and gas lands. Office—574 Jefferson Ave., Rochester 11, N. Y. Underwriter—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co. (8/11)
June 26 filed $20,000,000 of first mortgage bonds due 1988. Proceeds—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). Bids—Expected to be received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Aug. 11, 1958.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. Price—At par ($5 per share). Proceeds—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. Underwriter—None.

Western Industrial Shares, Inc., Denver, Colo.
July 16 filed 1,000,000 shares of common stock (par 25 cents). Price—$5 per share. Proceeds—For investment. Underwriter — Andersen, Randolph & Co., Inc., 65 So. Main St., Salt Lake City, Utah.

Western Pacific Mining Co., Inc.
May 26 filed 564,000 shares of common stock. Price—At par ($1 per share). Proceeds—For capital expenditures and exploration costs. Office—Santa Paula, Calif. Underwriter—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. Price — $60 per share. Proceeds—For working capital. Underwriter—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. Proceeds — For general corporate purposes. Office—151 Adell Avenue, Yonkers, N. Y. Underwriter — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. Proceeds—For expansion program, working capital and inventories. Underwriters—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

American-South African Investment Co.
June 13 filed for permission to become registered as an investment company of the closed-end type under the Investment Company Act of 1940. Business—The trust, incorporated under the laws of the Union of Africa, has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in mining gold. The trust may also invest to a certain extent in gold bullion. Underwriter—Dillon, Read & Co. Inc., New York.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). Underwriters — Salomon Bros. & Hutzler and Lehman Brothers, both of New York.

Austria (Republic of)
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. Proceeds—For electric power projects and other improvements. Underwriter—May be Kuhn, Loeb & Co., New York. Offering—Expected in October or early November.

California Electric & Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in the Fall of 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. Decision on these two points will probably not be reached until mid-August or early September.

Central Hadley Corp.
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000 shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. Proceeds—To retire outstanding notes of a subsidiary in the amount of $768,000.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Cincinnati & Suburban Bell Telephone Co. (10/21)
July 7 it was announced that the directors have authorized the sale of not exceeding $25,000,000 debentures having a maturity of not more than 35 years. Proceeds—To repay advances received from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. Underwriter — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). Bids—Expected to be received on or about Oct. 21.

Consumers Power Co. (9/23)
July 17 it was announced that the company plans to issue and sell not more than $40,000,000 of first mtge. bonds due 1988. Proceeds—For expansion and improvement of service facilities. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and

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Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—To be received on Sept. 23.

Consumers Power Co. (9/23)
July 17 it was announced that the company plans to issue and sell not more than 200,000 shares of pfd. stock. **Proceeds**—For expansion and improvement of service facilities. **Underwriter**—May be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received on Sept. 23.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

● Grace Line Inc.
Company plans to issue approximately $18,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Rosa" and "Santa Paula." The financing will comprise two issues of $9,000,000 each. **Underwriters**—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York. **Offerings**—"Santa Rosa" offering expected in August; and "Santa Paula" offering later in year.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Gulf Interstate Co.
June 5 it was announced company (formerly known as Gulf Interstate Oil Co.) intends to obtain a minimum of $2,000,000 and a maximum of $5,000,000 via an offering of new shares of common stock to stockholders in August or September. **Proceeds** — For working capital.

★ Gulf States Utilities Co. (9/15)
July 28 it was announced that the company plans to issue and sell $17,000,000 of first mortgage bonds due 1988. **Proceeds** — Will be used to retire its presently outstanding $17,000,000 issue of 4⅞% bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received on Sept. 15.

Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly). The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding. Private sale of 30,000 shares ($3,000,000) of preferred is planned.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Keystone Tax-Exempt Bond Fund
July 14 it was announced that this proposed fund will be a continuation of the present Keystone Custodian Fund, Series B-1. **Underwriter**—Lehman Brothers, New York.

★ Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Minneapolis & St. Louis Ry. (8/5)
Bids will be received by the company up to noon (CDT) on Aug. 5 for the purchase from it of $2,100,000 of series B equipment trust certificates due annually on Aug. 26 from 1959 to 1973. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Montana-Dakota Utilities Co.
March 24 it was reported the company plans to issue and sell an undetermined amount of first mortgage bonds in the latter part of this year or in early 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

★ Mountain State Tele. & Tele. Co. (9/30)
July 29 it was announced company plans to offer to its stockholders of record Sept. 26, 1958 the rigths to subscribe on or before Oct. 24, 1958 for 700,961 additional shares of capital stock on the basis of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To repay temporary loans made to finance the company's expansion program. **Underwriter**—None.

New England Telephone & Telegraph Co. (8/26)
April 11 it was announced company plans to issue and sell $40,000,000 of debentures. **Proceeds**—To redeem a like amount of 4½% bonds due 1961. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Aug. 26.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (8/20)
Bids are expected to be received by the company on Aug. 20 for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

North Carolina Natural Gas Co.
July 21 it was reported that the company plans early registration of about $8,000,000 in new securities, probably debentures and common stock to be offered in units. **Proceeds** — For repayment of bank loans and for new construction. **Underwriter**—Kidder, Peabody & Co., New York.

Northern Illinois Gas Co.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

★ Pacific Automation Products, Inc.
July 28 it was reported that the company plans early registration of about 125,000 shares of common stock. **Underwriter** — William R. Staats & Co., Los Angeles, Calif. **Offering**—Expected around Sept. 15.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Panama (Republic of)
July 14 it was announced a public offering is expected of approximately $26,000,000 external bonds. **Proceeds**—To redeem certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

Pennsylvania Power Co. (8/27)
July 22 it was announced that the company on July 21 filed applications with the Pennsylvania P. U. Commission and the SEC proposing to issue and sell $8,000,000 of 30-year first mortgage bonds. **Proceeds**—To refund a like amount of first mortgage bonds sold last October. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids**—To be received as soon after Aug. 26, 1958, as market conditions appear favorable, but not later than Dec. 16.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

South Carolina Electric & Gas Co.
April 7 it was announced by the company that it plans to sell some additional bonds during the latter part of the year. **Proceeds** — Together with bank loans, to be used for $16,000,000 construction program. Bonds may be placed privately through Kidder, Peabody & Co.

Southern California Edison Co. (8/25)
July 3 it was announced that the company contemplates issue and sale of $50,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp., and Dean Witter & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received on Aug. 25.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

Southwestern Bell Telephone Co. (9/30)
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding issue. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ Standard Oil Co. (Indiana)
July 30 it was announced company has under consideration long-term financing through a public offering of approximately $200,000,000 of debentures. **Proceeds**—Probably for expansion, working capital and other corporate purposes. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Expected in the early Fall.

Standard Oil Co. (New Jersey)
July 2 it was announced that the company plans early registration of approximately 10,850,000 shares of capital stock (par $7), now authorized but unissued. The company contemplates issuing approximately five shares of Standard stock for each four shares of Humble Oil & Refining Co. stock.

Thiokol Chemical Co.
July 21 it was reported that the company plans some additional financing. **Underwriter**—Kidder, Peabody & Co., New York.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will

be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Smith Barney & Co. and Robert W. Baird & Co., Inc. (jointly) Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly) Kuhn, Loeb & Co., and American Securities Corp (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co

★ Wizard Boats of Tennessee, Inc.
July 28 it was reported that the company plans an offering of 150,000 shares of common stock and 75,000 warrants, which are expected in units of one common share and one-half warrant. **Price**—$2 per unit. **Underwriters**—Clark, Landstreet & Kirkpatrick, Inc. and W. N. Estes & Co., both of Nashville, Tenn.

Our Reporter's Report

The corporate new issue market which held up better than usual, from a volume standpoint, during the month just ending appears to be headed into the summer doldrums at last.

Considering the rather unsatisfactory behavior of virtually all segments of the investment market it is just as well perhaps that the pace of call for new capital has slowed down abruptly.

Certainly institutional investors have not been in any big hurry to soak up recent offerings, and in many cases have held out until sponsoring syndicates have decided to turn their charges loose.

From all indications it appears that the speculative fringe which rode the coat-tails of the Treasury's recent refinancing operations was considerably larger than had been realized. At any rate, each time the market sticks its head up it runs into selling.

And if these speculators got the impression that the Federal Reserve, which recently announced its intention of supporting the government market through the purchase of bonds as well as bills, was going to "bale" them out, it appears they were mistaken.

At any rate the Federal, which stood in the breach to the tune of $1.1 billion of bonds while the Treasury was completing its latest refinancing chore, seems to have withdrawn from the firing line at least for the time being. Many Treasurys touched lows for the year this week.

Ruling at Discounts

The current temper of the investor is still best illustrated by the experience of a number of recent underwritings. Where these came to market via the competitive bidding process the current market is substantially below the original offering price.

This is especially true in the case of public utility obligations. These issues are being quoted at discounts ranging from a point to around four points in several instances. Getting away from the utilities, Southern Railway Co.'s new 4½s are the exception, in the auction group, ruling at almost a point premium in the bid side.

And U. S. Steel's 4% debentures are quoted a substantial fraction above the initial price.

Need for Capital

Evidently industry still feels the need for raising additional capital in a large way despite all the talk of slowing down in expenditures for new plant, modernization and new equipment. Some of it, of course, is to reimburse treasuries for funds already spent.

Latest to make known such intentions is Standard Oil Co. (Indiana) which is contemplating the raising of something like $200 million through public offering of debentures early in the Fall.

And Southern California Edison Co. has started the machinery looking toward the offering, through competitive bidding, of $50 million of first and refunding bonds. Bids will be asked late next month.

Slim Pickings.

The first week in August probably will go down in the records, as marking the trough in the new issue market for the current year. Certainly there is nothing at the moment to foreshadow any change in the picture.

Three lonely issues are slated for market, two of them equities. CGS Laboratories Inc., is due to offer 60,000 shares of common stock. And Ludlow Typograph Co. has 106,156 shares scheduled for offering on "rights."

The only debt issue is Minneapolis & St. Louis Railway's $2.1 million offering of equipment trust certificates now in the roster for Tuesday bidding.

With Thomas Hughes

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Joseph F. McGlinn is now with Thomas J. Hughes & Co., First National Bank Building. He was formerly with Ellis & Company.

Greene & Ladd Adds

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — James M. Mack is with Greene & Ladd, Third National Bank Building, members of the New York Stock Exchange.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

brief analyses of **Penn Dixie Cement**, **Virginian Railway** and **Philco Corp.**

Eastern Gas & Fuel Associates—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Hanover Bank of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

International Telephone & Telegraph Co.—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

J-V-M Microwave Company—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Jefferson Lake Petrochemicals of Canada Ltd. — Analysis — John R. Maher Associates, 32 Broadway, New York 4, N. Y.

Johns Manville Corporation — Analysis — Reynolds & Co., 120 Broadway, New Yark 5, N. Y. Also available are comparative figures on **Oil Stocks.**

Laboratory for Electronics, Inc.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available are memoranda on **Allied Mils Inc.** and **Thatcher Glass Manufacturing.**

Packard Bell Electronics Corporation — Analysis — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Raytheon Manufacturing Co.**

Precision Transformer Corp.—Analysis—John R. Boland & Co., Incorporated, 30 Broad Street, New York 4, N. Y.

Quaker Oats Co. — Memorandum — Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

Ralston Purina Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Republic Steel Corp.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Pennsalt Chemicals Corp.** and an analysis of the **Beverage Industry** with particular reference to **Canada Dry Corporation, Coca Cola Corporation, Coca Cola Bottling Co. of New York, Drewrys Ltd., Nehi Corporation,** and **Pepsi Cola Co.**

William H. Rorer, Inc.—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **Wisconsin Power & Light Company.**

Russell Industries Limited — Buletin — Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto, Canada.

Safeway Stores, Incorporated — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Safway Steel Products, Inc. — Report — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

South Porto Rico Sugar Co.—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Victor Equipment Company — Analysis — Stewart-Eubanks-Meyerson & Co., 216 Montgomery Street, San Francisco 4, Calif.

Westinghouse Electric Corp. — Memorandum — Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Wilson & Co.—Memorandum—McCormick & Co., 231 South La Salle Street, Chicago 4, Ill.

Mutual Funds

By ROBERT R. RICH

Eaton & Howard Stock Fund Assets Over $100,000,000

Eaton & Howard Stock Fund semi-annual report, released to over 25,000 shareholders, reports assets of $101,215,167, a new asset high in the fund's 27-year history. Charles F. Eaton, Jr., Chairman of the fund's trustees, told shareholders that the sharp increase of $20 million was due in part to sales of new shares which were greater than in any similar six-month period. Asset value per share increased 11% from $18.14 at Dec. 31, 1957, to $20.29 on June 30, 1958.

Report shows that common stocks totaled 78.5% of the fund on June 30, 1958, a reduction of 7% since the beginning of the year. Balance of fund was in U. S. Governments, short-term notes, and cash. Largest common stock holdings by industries were oil (15%), power and light (9%), insurance (8%), chemical (5%), and natural gas (4%).

Changes in investment holdings during the second quarter include new purchases in Fiberboard Paper Prod., Ohio Oil, Pacific Lighting, and Sprague Electric. Additions to present holdings include British American Oil and Parke-Davis. Eliminated from the portfolio were American Can, Conn. General Life Insurance and Gerber Products. A decrease in holdings also took place in Continental Can, Corning Glass Works, Dresser Industries, Florida Power & Light and U. S. Steel.

Eaton & Howard Balanced Fund semi-annual report released to 26,900 shareholders shows assets of $180,210,593, an increase of over $13 million since Jan. 1, 1958. Asset value per share increased 9% from $19.67 at Dec. 31, 1957, to $21.58 on June 30, 1958.

Report shows that on June 30, 1958, common stocks totaled 60% of the fund, while 13% was invested in preferred stocks, 14% in corporate bonds, and 13% in U. S. Governments, short-term notes and cash. Largest common stockholders by industries were oil (17%), power and light (12%), insurance (5%), banking (4.5%), and steel (3%).

Wedbush Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James W. Whiting has been added to the staff of Wedbush and Company, Playa del Rey. He was previously with Fairman & Co.

Wellington Reports $105 Million Assets Gain in First Half

Total assets of the Wellington Fund were at an all-time high of $710 million on June 30, an increase of $105 million during the past six months, it was reported by Walter L. Morgan, President, in a semi-annual report sent to shareholders.

About half this increase resulted from the higher market value of the fund's investments and the other half from record purchases of Wellington shares by investors. The number of Wellington shareholders (located in every state and many parts of the world) also reached a new high of 248,000.

During the same period the net asset value of each Wellington share increased from $11.56 to $12.61, a gain of 9.1%.

Commenting on Wellington's investment program, Mr. Morgan stated that at the end of June, the fund had about 63% of its resources diversified in 136 common stocks in 28 different industries. The balance of the fund was in good grade preferred stocks, corporate bonds and governments. During the first six months, the fund moderately increased its investment in preferred stocks and government bonds and reduced its corporate bond holdings.

"Since the first of the year," Mr. Morgan continued, "the fund increased its investment in some bank and telephone common stocks offering good yields from dividends amply covered by estimated earnings. An increase was also made in common stocks of selected automobile and parts, paper, and steel companies, that were considered attractive long-term values. A further increase was made in leading international oil stocks and a moderate reduction in domestic producers.

"The principal reductions included the drug, electric and office equipment stocks that seemed to have discounted near-term earnings prospects. Some electric utility stocks that had advanced were sold because their yields were considered too low and part of the proceeds invested in other utilities considered better values. These changes resulted in a reduction in the electric utility group."

Among the Wellington Fund's new investments in common stocks during the six months ended June 30, 1958, were: American Smelting & Refining, Atlantic City Electric Company, Ohio Oil Company, St. Regis Paper Company, and U. S. Foil Company "B."

Among the common stocks eliminated during this period were: Southern California Edison Company, Pacific Gas & Electric Company, Continental Oil Company, Beckman Instruments, Inc., and Hercules Powder Company.

Among the principal additions of common stocks were: Royal Dutch Petroleum Company, Container Corporation, American Telephone and Telegraph Company, General Motors Corporation, and Sears Roebuck Company.

Among the principal reductions of common stocks were: General Electric Company, Consolidated Natural Gas Company, Texas Company, Merck and Company, Inc., and Beneficial Finance Company.

Parker Sees Next Boon Generated By World Trade

Chairman William A. Parker of Incorporated Investors has stated for the record that they are keeping a sharp eye on stocks which should benefit from world trade. It is his belief that the boom of the last ten years has been due to defense spending and in the next ten years, the boom will be in world trade due to the cold war.

In regard to a trade war the Chairman believes that the U. S. will have to step up its aid to undeveloped countries as well as the rest of the Free World. He believes foreign policy is governed by necessity and the public will demand it.

Concerning the Mideast crisis, Mr. Parker added that this interruption points up the need for increased trade even more strongly. Incorporated Investors has approximately 22% of its assets in oil and gas investments but the holdings in the Middle East total about 3½% to 4%. Thus he concludes that a shut-down of Middle East oil would tend to help their investments.

Incorporated Investors has added to its portfolio investments in pharmaceuticals, insurance companies, coal and forest product companies. Reductions were made in railroads, although certain railroad investments are still being held since they are classified as special situations.

Selected Amer. Shs. Assets Up in First Half-Year

Selected American Shares, a mutual fund, reports total net assets of $70,209,511 on June 30, an increase of 17.6% over assets of $59,805,980 at Dec. 31, 1957. Number of shareholders and outstanding shares, as well as total net assets, reached new highs. Outstanding shares at June 30 of 8,536,574 compare with 8,001,847 at Dec. 31 and 7,609,962 a year ago.

At June 30 common stocks represented 94.6% of assets, corporate bonds and short-term notes 1.3%, U. S. Governments and cash 4.1%. The largest holdings in common stocks were oil 15.2%, electric utility 11.4%, steel 9.7%, electrical & electronics 5.2%, railroad 5%.

Edward P. Rubin, President, reports to shareholders: "Numerous encouraging economic 'straws' currently give substance to the hope that the business recession may have approximated or passed its low point . . . we seem to be passing out of the period of hopeful forecast into one of improving factual development. . . . With business indicators giving tentative evidence that this third Postwar II recession may prove mild, with repeated evidence of inflationary risks, it is not surprising that stock prices have risen from their levels of the fourth quarter of last year. . . . In the second half, this management anticipates there may be temporary periods of uncertainty as well as enthusiasm with respect to stock values. But on the score of the near term business outlook, it believes there is reason for much encouragement. The 'long-term future,' in which we are primarily interested, is coming closer. 1960 is only 18 months away—it begins a decade in which a new upward surge of population is expected. That decade should also witness industrial fruition of the huge research expenditures of recent years. The company's investment policies are based upon the conviction that near-term risks in stocks are limited in relation to the long-term opportunities they afford."

In the last three months Selected American added these new stocks to its portfolio: 7,000 shares C.I.T., 7,100 Container Corp., 5,000 Deere, 1,000 Freeport Sulphur, 5,000 Homestake, 5,000 Kennecott, 5,000 Lockheed, 2,000 McIntyre Porcupine, 3,000 RCA, 5,000 Royal Dutch. Increases in prior stock holdings include 5,000 Abbott Laboratories, 2,400 Anaconda, 6,400 Bendix Aviation, 4,000 Boeing, 4,000 CBS "A" and "B", 2,000 Ex-Cell-O, 2,200 Federated Department Stores, 1,500 General Finance, 3,000 International Minerals, 5,500 Louisiana Land & Exploration, 10,100 North American Aviation, 4,500 Northern Indiana Public Service, 16,200 Pan American, 5,000 Parke Davis, 3,000 Trane, 3,000 Youngstown Sheet & Tube.

It eliminated from the portfolio Allied Chemical, Aluminum Ltd., Amerada, American Airlines, Combustion Engineering, Continental Oil, Douglas, Masonite, National Cash, Rohm & Haas, Skelly, Superior Oil, Thompson Products, Zenith. Reductions in prior stock holdings include sales of 4,400 Allegheny Ludlum, 2,000 Allis-Chalmers, 5,000 American Metal Climax, 8,100 Associates Investment, 5,440 Babcock & Wilcox, 5,000 Bristol-Myers, 8,000 Chrysler, 2,000 Food Machinery, 3,000 Ford, 1,500 Goodyear, 3,500 Hercules Powder, 5,630 Jones & Laughlin, 5,800 Merck, 2,500 Ohio Edison, 10,000 Socony Mobil Oil, 2,000 Tennessee Gas Transmission.

Istel Fund Records Net Asset High

The net assets of Istel Fund increased to $12,210,896 as of June 30 compared to $9,878,000 for Dec. 31, 1957. The net assets per share increased to $29.81 as against $25.76 for six months prior. An added record was the increase in the number of shares to 415,166 from 383,394 six months earlier.

Atomic Fd. Reports Gain of 10% in Investment Income

The annual report of Atomic Development Mutual Fund, Inc. just released by Chairman Merle Thorpe, Jr. and President Newton I. Steers, Jr. shows an increase of investment income of 10½% for the year just ended.

Highlights of the report include a prediction that the conquest of outer space will depend on nuclear propulsion. An astronautic chart is featured — showing the range of current missile systems and probable ranges of future nuclear propulsion systems reaching intergalactic space.

The fund's management reports that on June 30, 1958 investments in companies engaged in missile and rocket work comprised 40% of its total assets.

The report contains a chart showing the results of an initial investment of $10,000 on Jan. 1, 1954 for the 4½-year period ending June 30, 1958. Total value

with all distributions reinvested would have grown to $14,686 on the latter date.

New securities purchased since March 31, 1958 were: $25,000 The Rio Tinto Mining Co. of Canada, Ltd., 5% debentures '63 without warrants; $125,000 American Electronics, Inc., 5¼% convertible debentures '76; and $300,000 Merritt Chapman & Scott, 4½% convertible subordinated debentures '75.

Important share additions included 5,300 International Minerals & Chemical Co.; 4,400 Babcock & Wilcox Co.; 6,300 American Machine & Foundry Co.; 6,800 Combustion Engineering, Inc.; 11,800 Vitro Corp. of America.

Securities eliminated in June 30 quarter were: 16,600 Homestake Mining Co.; 13,200 Rico Argentine Mining Co.

Total Asset Gain of 25% Reported by Washington Mutual

President James M. Johnston of Washington Mutual Investors Fund reported to shareholders at their annual meeting that their fund now has total assets in excess of $12 million, which is an increase of approximately 25%. In addition, he announced that the fund now has over 5,000 shareholders and holds 71 common stocks in its portfolio. All investments of this fund are required by its charter to be selected from the List of Legal Investments for Trust Funds in the District of Columbia.

The shareholders approved renewal of the investment advisory contract with Capital Research and Management Company of Los Angeles and the business management contract with Johnson, Lemon & Co.

Directors reelected for the ensuing year were as follows: James M. Johnston, James H. Lemon, George E. Allen, Jonathan B. Lovelace, and Robert B. Swope.

Following the Annual Meeting of Shareholders the Board of Directors reappointed the following members of the Advisory Board: Robert C. Baker, Barnum L. Colton, Leo Goodwin, Robert P. Smith, William T. Vandoren, Dr. Charles S. White, Roger J. Whiteford and Davis Weir.

The following officers were reelected: James M. Johnston, Chairman of the Board and President; Vice-Presidents—James H. Lemon and D. J. Needham; Executive Secretary, Bernard J. Nees; Treasurer, Harvey B. Gram, Jr., and Assistant Secretary and Assistant Treasurer, Ralph S. Richard.

I. P. C. Sales Gain Sets Quarterly Record

Investors Planning Corporation of America reported record quarterly sales for the period ended June 30, 26% higher than during the first three months of this year.

According to I. P. C. President Walter Benedick, the firm's 2,600 mutual fund representatives registered a second quarter volume of $20,560,529, compared with $16,304,225 during the previous 1958 period, and $20,067,705 for the period ended June 30 a year ago.

Mr. Benedick also disclosed a 44.4% increase in the number of active I. P. C. contractual plans over the total 12 months ago. I. P. C. plans in force on June 30 totaled 49,388, compared with 34,190 at the end of last year's like period and 45,774 at the close of the 1958 first quarter.

One of the nation's largest mutual fund retail organizations, the firm has had an overall volume of more than $232,000,000 since it was established 61 months ago, and currently services nearly 60,000 shareholder accounts of all types.

Gas Industries Fd. Reflects Oil and Natural Gas Rise

The "new look" seen in the rapidly improving oil industry and the continued growth of the natural gas industry combined to increase the per share net asset value of Gas Industries Fund 13% over the net asset value at the end of the fiscal year, March 31, and 23% over the net asset value on Dec. 31, 1957.

James H. Orr, President of Gas Industries Fund, stated in the Fund's current Quarterly Report that the oversupply and price weaknesses in the oil industry appear to be past, and that a strong improved trend has set in. One of the most tangible signs of this, he said, is the increase in allowable production in the state of Texas.

He then stated that the growing demand for natural gas is nationwide, and that major expansion is planned for this year and next by the gas industry.

During the past quarter, the following major portfolio changes were made by the fund: new commitments were Ashland Oil & Refining, Central Illinois Electric & Gas, Kern County Land, and Standard Oil of California.

Additions to existing holdings were Gulf Interstate, Laclede Gas, Royal Dutch Petroleum, San Jacinto, Socony Mobil Oil, Standard Oil (New Jersey), and TXL Oil.

Decreases in commitments were made in Anderson-Prichard Oil, Colorado Interstate Gas, Shamrock Oil and Gas, Stone & Webster, and Sunray Mid-Continent Oil.

Eliminated from the portfolio were Washington Water Power and Commonwealth Oil Refining 6% convertible junior subordinated debentures.

New England Fund Value Increased

Per share net asset value of New England Fund increased from $18.92 on Dec. 31, 1957, to $20.31 on June 30, 1958, and to $20.52 after adjusting for a 21 cents per share capital gain distribution on Jan. 30. The latter figure is equivalent to an 8.4% gain per share for the six-months' period. The value of the Fund was higher on June 30, 1958, than a year earlier on June 30, 1957, despite the drastic stock market decline in the second half of 1957, not all of which has since been regained.

Net unrealized appreciation in the portfolio securities increased by $960,000 in the first six months of 1958 to $1,771,000; and net capital gains realized from sales of portfolio securities during the period totalled $177,000. On June 30, 1958, the assets of this fully managed investment trust were invested 59% in common stocks vs. 53% six months ago; 14% in preferred stock vs. 15%; and 27% in bonds, notes and cash vs. 32%.

Two With Shields & Co.

Walter L. Rizzuti and Ronald K. Howie have become associated with Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange. Mr. Rizzuti in the research department, and Mr. Howie as a registered representative.

Woolrych & Currier Add

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Frank C. Gregson III is now affiliated with Woolrych & Currier, 233 A Street.

Putnam Fd. Assets At New High Of $153,000,000

The George Putnam Fund of Boston reports for the quarter ended June 30, 1958 increases in total net assets from $142,345,000 to a new high of $153,270,000 and in net asset value per share from $11.42 to $12.09.

The total market value of all the fund's investments on June 30 exceeded cost by $29,228,600, compared with $22,643,600 at the end of the last quarter. Common stocks represented 60% of the fund's total investment, compared with 61% on March 31.

In commenting on present business conditions, George Putnam, Chairman of the Trustees, said, "It seems to us that business is coming through its worst postwar recession in good fashion. Consumer confidence has remained high and corporate managements have made a strong effort to sustain dividend rates. Undoubtedly we face some further disappointments in this direction unless business and earnings recover with unexpected vigor. However, the attitude of managements toward maintaining dividend stability has undoubtedly enhanced the investment quality of common stocks in the minds of investors."

New common stock additions to the fund during the quarter included: 10,000 shares American Photocopy Equipment Co., 30,000 Walter E. Heller Co., 2,200 Kellogg Co., and 12,000 Southern Pacific Co.

Eliminations included: 15,000 shares Alleghany Ludlum Steel Corp., 22,000 Cities Service Co., 12,000 Crown Zellerbach Corp., 11,000 General Telephone Corp., 6,500 Kennecott Copper Corp., 7,500 Martin Co., 11,000 Phelps Dodge Corp., and 29,300 Texas Utilities Co.

Carriers & General Adheres to Cautious Invest. Policy

Net asset value per share of Carriers & General Corporation, a closed-end investment company managed by Calvin Bullock Ltd., increased to $26.87 on June 30, 1958 from $23.27 at Dec. 31, 1957, a gain of more than 15%. Net asset value on June 30, 1957 was $28.41 per share.

Total net assets on June 30 were $16,945,383 (before deducting principal amount of debentures) compared with $14,926,614 on Dec. 31, 1957 and $17,808,448 on June 30, 1957.

Hugh Bullock, President, pointed out that almost one-half of the assets of Carriers & General were in defensive issues, balanced by an equal amount in common stocks of a growth or cyclical character. In these categories, he said, stocks of companies in the petroleum and chemical industries were the largest holdings.

"As the second half of 1958 gets under way," Mr. Bullock reported to the corporation's shareholders, "there are encouraging signs that the downward trend of business may be slowing, if not halting." Because of remaining uncertainties as to the cumulative effect of the business decline on earnings and dividends of many corporations, he added, Carriers & General "feels it is prudent to continue to maintain reserve buying power to take advantage of such adjustments and opportunities as may occur before the upward trend in business and corporate earnings is clearly established."

Fidelity Fund Reports 11.6% Net Assets Gain

Fidelity Fund quarterly report as of June 30, 1958, shows total net assets of $279,011,423. This is an increase of approximately 11.6% over net assets of $249,905,974 on March 31, 1958. Both number of shares outstanding and number of shareholders reached new highs as of June 30, 1958. Fidelity Fund now has nearly 70,000 shareholders, an increase of 12% over a year ago.

Net asset value as of June 30, 1958, was $13.11 per share compared with $12 per share on March 31, 1958, both after capital gains distribution of 40 cents a share paid Feb. 10, 1958, and compared with $11.72 per share as of Dec. 31, 1957.

Common stock investments amounted to 92.6% of the fund's net assets on June 30, 1958, as compared with 85.5% on Dec. 31, 1957.

Net cash and U. S. Government securities amounted to 1.1% compared with 6.0% on Dec. 31, 1957.

Massachusetts Life Fund Net Assets Show 18.1% Gain

Massachusetts Life Fund as of June 30, 1958, has reached a new high of $40,194,089 in net assets, Lawrence A. Sykes, President of the trustee, announced.

In making his semi-annual report to shareholders, Mr. Sykes noted that despite a general business recession, the fund has continued the steady growth it has enjoyed since it was first offered to the public in 1949. The fund's net assets as of June 30, 1958, increased 18.1% since Dec. 31, 1957 with a new record of 2,073,458 shares outstanding. The net asset value as of June 30 was $19.38 as compared with $17.57 as of Dec. 31, and increase of 10.3%.

Massachusetts Life Fund, a diversified management-type trust, is supervised and managed by the Massachusetts Hospital Life Insurance Company, incorporated in 1818.

Additions to the portfolio include Abbott Laboratories, Armco Steel, Carrier, Cities Service, General Motors, Halliburton Oil Well Cementing, Idaho Power Co., Maryland Casualty Co., Merck, Niagara Mohawk Power, Northern Natural Gas, Pacific Gas & Electric, Sinclair Oil and Texas Co. Eliminations from the portfolio include National Lead, Rayonier and Thompson Products.

With John S. Green & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Walter W. Watkins has become affiliated with John S. Green & Co., Fidelity Building.

With Livingston Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Frank M. Hill, Jr. has become connected with Livingston, Williams & Co., Inc., Hanna Building.

Tri-Continental Assets Climb to New High

Investment assets of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, climbed to a new high of $341,565,957 at June 30, an increase of $21,457,389 from March 31 and $38,152,815 from the start of the year, Francis F. Randolph, Chairman and President, reported today in his mid-year letter to stockholders.

Most of the gain in investment assets, Mr. Randolph noted, resulted from appreciation in the market value of Tri-Continental's investment holdings. New funds totaling $2,292,691 received in the first six months for 129,093 shares of common stock issued upon the exercise of warrants, were substantially less than in the corresponding period of 1957. The chairman pointed out that the rate of exercise of warrants in the three months just ended was the lowest in over three years. At June 30, there were 6,850,293 common shares outstanding and the remaining warrants numbered 1,164,012.

Mid-year assets per common share outstanding increased to $41.30 from $38.38 at March 31 and $36.42 at the beginning of 1958, according to Mr. Randolph. Assets per common share, assuming the exercise of all warrants, rose to $37.12 at June 30 from $34.63 three months earlier and $32.82 at Dec. 31, 1957. This was a gain of about 13% for the six months.

Net investment income totaled $5,324,664 for the first half of 1958. The chairman stated that this was an increase from $4,947,194 in the same period of 1957 and marked the first time that net investment income for the initial half year exceeded $5 million. New funds received for common stock issued upon the exercise of warrants were the major factor in this gain. Mr. Randolph pointed out, however, that new funds were put to work in 1957 promptly upon receipt and that the rate of gain in income recorded in the first six months thus cannot be expected to be maintained throughout 1958.

During the first six months, Tri-Continental paid dividends to preferred and common sockholders totaling $5,193,366. The 30-cent quarterly rate on the common stock, established in the first quarter of 1955, was maintained even though payment was made on 2,661,769, or 64%, more shares as a consequence of exericse of warrants.

Common stock investments accounted for 77.6% of investment assets at June 30, up from the 75.1% at the beginning of the year. Mr. Randolph explained, "this increased in the proportion of common stock holdings resulted primarily from gain in market value. There was no change in over-all investment policy during the period."

The chairman further stated, "second quarter changes in common stock investments continued

Continued on page 39

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Aug. 3	§58.8	*57.3	51.0	79.4
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 3	§1,586,000	*1,546,000	1,376,000	2,033,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 18	6,528,385	6,439,435	6,345,385	6,947,215
Crude runs to stills—daily average (bbls.)	July 18	¶7,450,000	7,607,000	7,522,000	7,749,000
Gasoline output (bbls.)	July 18	27,509,000	27,808,000	26,701,000	26,469,000
Kerosene output (bbls.)	July 18	1,804,000	1,508,000	1,851,000	1,717,000
Distillate fuel oil output (bbls.)	July 18	11,266,000	11,807,000	11,317,000	12,048,000
Residual fuel oil output (bbls.)	July 18	6,891,000	6,944,000	6,575,000	7,539,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 18	179,707,000	182,169,000	187,973,000	178,267,000
Kerosene (bbls.) at	July 18	25,631,000	25,040,000	23,738,000	29,627,000
Distillate fuel oil (bbls.) at	July 18	113,483,000	109,507,000	99,883,000	129,798,000
Residual fuel oil (bbls.) at	July 18	67,199,000	66,155,000	63,596,000	48,314,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 19	581,817	491,142	627,677	743,359
Revenue freight received from connections (no. of cars)	July 19	451,056	404,208	529,767	569,841
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 24	$455,420,000	$733,043,000	$483,128,000	$393,636,000
Private construction	July 24	152,643,000	419,293,000	126,297,000	113,616,000
Public construction	July 24	302,777,000	313,750,000	356,831,000	280,020,000
State and municipal	July 24	224,914,000	183,379,000	233,969,000	233,782,000
Federal	July 24	77,863,000	130,371,000	122,862,000	46,238,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 19	7,640,000	*1,370,000	8,915,000	9,796,000
Pennsylvania anthracite (tons)	July 19	466,000	76,000	544,000	435,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 19	110	116	117	108
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 26	12,319,000	12,257,000	11,757,000	12,243,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 24	264	279	335	228
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 22	5.967c	5.967c	5.967c	5.967c
Pig iron (per gross ton)	July 22	$66.49	$66.49	$66.49	$66.40
Scrap steel (per gross ton)	July 22	38.17	$37.50	$35.17	$53.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 23	26.100c	25.175c	24.875c	28.525c
Export refinery at	July 23	24.875c	24.500c	23.925c	26.700c
Lead (New York) at	July 23	11.000c	11.000c	11.500c	14.000c
Lead (St. Louis) at	July 23	10.800c	10.800c	11.300c	13.800c
‡Zinc (delivered) at	July 23	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	July 23	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	July 23	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	July 23	95.250c	94.750c	94.500c	95.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 29	92.54	93.36	94.17	86.48
Average corporate	July 29	95.16	95.47	96.23	91.77
Aaa	July 29	100.65	100.81	102.13	95.77
Aa	July 29	98.25	98.09	99.04	94.12
A	July 29	94.56	95.47	96.07	92.20
Baa	July 29	87.99	88.13	88.27	85.46
Railroad Group	July 29	91.19	91.19	91.62	89.92
Public Utilities Group	July 29	95.92	96.69	97.78	92.93
Industrials Group	July 29	98.57	98.73	99.36	92.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 29	3.16	3.08	3.01	3.67
Average corporate	July 29	4.06	4.04	3.99	4.29
Aaa	July 29	3.71	3.70	3.62	4.02
Aa	July 29	3.86	3.87	3.81	4.13
A	July 29	4.10	4.04	4.00	4.26
Baa	July 29	4.56	4.55	4.54	4.75
Railroad Group	July 29	4.33	4.33	4.30	4.42
Public Utilities Group	July 29	4.01	3.96	3.89	4.21
Industrials Group	July 29	3.84	3.83	3.79	4.24
MOODY'S COMMODITY INDEX	July 29	402.8	400.6	398.0	427.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 19	262,002	191,439	253,065	249,882
Production (tons)	July 19	255,488	133,774	270,117	264,778
Percentage of activity	July 19	83	48	88	87
Unfilled orders (tons) at end of period	July 19	451,865	447,215	366,756	464,699
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 25	110.31	110.25	109.85	110.27
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 5	1,322,770	1,748,010	1,688,870	1,282,590
Short sales	July 5	277,720	400,520	397,700	234,570
Other sales	July 5	1,001,640	1,296,400	1,324,530	1,008,240
Total sales	July 5	1,279,360	1,696,920	1,722,230	1,242,810
Other transactions initiated on the floor—					
Total purchases	July 5	265,500	481,540	531,670	218,450
Short sales	July 5	20,300	44,500	39,130	17,700
Other sales	July 5	278,770	414,510	332,190	215,360
Total sales	July 5	299,070	459,010	371,320	233,060
Other transactions initiated off the floor—					
Total purchases	July 5	419,094	586,250	573,064	480,800
Short sales	July 5	132,430	123,970	165,060	78,050
Other sales	July 5	478,576	567,660	737,655	446,009
Total sales	July 5	611,006	691,630	902,715	524,059
Total round-lot transactions for account of members—					
Total purchases	July 5	2,007,364	2,815,800	2,693,604	1,381,840
Short sales	July 5	430,450	568,990	601,890	330,320
Other sales	July 5	1,758,986	2,278,570	2,394,375	1,669,609
Total sales	July 5	2,189,436	2,847,560	2,996,265	1,999,929
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 5	979,005	1,078,923	1,200,171	1,177,427
Dollar value	July 5	$45,019,661	$49,733,718	$55,372,289	$61,855,993
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 5	902,816	1,082,638	1,195,675	894,184
Customers' short sales	July 5	6,599	7,679	9,709	4,469
Customers' other sales	July 5	896,217	1,074,959	1,185,966	889,715
Dollar value	July 5	$38,883,018	$45,238,603	$50,269,197	$45,994,118
Round-lot sales by dealers—					
Number of shares—Total sales	July 5	294,410	345,950	387,660	194,240
Short sales	July 5	------	------	------	------
Other sales	July 5	294,410	345,950	387,660	194,240
Round-lot purchases by dealers—					
Number of shares	July 5	331,080	378,400	405,740	516,370
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 5	617,440	789,380	814,810	403,490
Other sales	July 5	10,237,690	13,169,780	13,206,140	9,260,960
Total sales	July 5	10,855,130	13,959,160	14,020,950	9,664,450
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 22	119.3	*119.3	119.1	118.0
Farm products	July 22	94.1	*95.4	96.2	93.4
Processed foods	July 22	112.4	*112.7	112.8	106.1
Meats	July 22	112.9	113.8	115.2	96.3
All commodities other than farm and foods	July 22	126.0	125.7	125.2	125.5

*Revised figure. ¶Includes 877,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$282,076,000	$296,197,000	$219,798,000
Exports	374,988,000	396,429,000	501,593,000
Domestic shipments	20,043,000	15,709,000	15,111,000
Domestic warehouse credits	305,266,000	355,238,000	43,264,000
Dollar exchange	121,327,000	129,732,000	21,459,000
Based on goods stored and shipped between foreign countries	247,806,000	247,295,000	177,700,000
Total	$1,351,506,000	$1,440,600,000	$978,925,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—			
Crop as of July 1 (in thousands):			
Corn, all (bushels)	3,311,249	------	3,402,832
Wheat, all (bushels)	1,343,490	1,270,565	947,102
Winter (bushels)	1,129,727	1,068,696	707,201
All spring (bushels)	213,763	201,869	239,901
Durum (bushels)	14,985	------	39,680
Other spring (bushels)	198,778	------	200,221
Oats (bushels)	1,255,244	------	1,308,360
Barley (bushels)	423,175	------	435,695
Rye (bushels)	31,386	------	26,528
Flaxseed (bushels)	31,804	------	25,754
Rice (100 pound bags)	46,977	------	43,130
Hay, all (tons)	114,246	------	121,402
Hay, wild (tons)	10,607	------	11,313
Hay, alfalfa (tons)	63,339	------	69,092
Hay, clover and timothy (tons)	22,160	------	22,087
Hay, lespedeza (tons)	5,001	------	4,852
Beans dry edible (tons)— (Cleaned) (100 pound bags)	18,269	------	15,771
Peas, dry field (bags)	2,360	------	3,270
Potatoes (hundredweight)—			
Winter	4,780	4,780	6,790
Early spring	3,904	3,904	4,408
Late spring	26,901	27,145	30,104
Early summer	10,459	9,574	9,047
Late summer	35,449	------	32,209
Sweetpotatoes (hundredweight)	17,542	------	18,053
Tobacco (pounds)	1,688,559	------	1,660,553
Sugarcane for sugar and seed (tons)	7,332	------	6,750
Sugar beets (tons)	14,549	------	15,497
Hops (pounds)	52,218	------	40,135
Apples, commercial crop (bushels)	123,920	------	118,548
Peaches (bushels)	74,889	74,487	62,335
Pears (bushels)	28,068	28,338	31,676
Grapes (tons)	2,704	------	2,599
Cherries (12 States) (tons)	177	174	240
Apricots (3 states) (tons)	117	118	190
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of June:			
Seasonally adjusted	130	128	145
Unadjusted	130	127	145
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of June	£39,365,000	£18,152,000	£29,151,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of April (in billions):			
Total personal income	$344.3	$343.1	$343.2
Wage and salary receipts, total	233.9	233.2	238.3
Commodity producing industries	95.1	94.7	102.4
Distributing industries	63.5	63.4	62.7
Service industries	34.4	34.3	33.0
Government	40.9	40.8	39.5
Other labor income	7.7	7.7	7.8
Proprietors and rental income	51.6	51.4	51.1
Personal interest income and dividends	31.8	31.8	31.2
Total transfer payments	26.1	25.7	21.6
Less employees' contribution for special insurance	6.8	6.7	6.8
Total nonagricultural income	327.1	326.0	327.5
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of April (000's omitted):			
Savings and loan associations	$786,767	$704,551	$797,509
Insurance companies	105,521	108,334	115,540
Banks and trust companies	385,076	345,058	357,498
Mutual savings banks	103,394	94,463	110,173
Individuals	278,217	269,856	306,070
Miscellaneous lending institutions	363,308	343,811	357,151
Total	$2,022,283	$1,866,073	$2,043,941
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of March:			
Net railway operating income	$44,004,297	$8,897,266	$90,019,083
Other income	20,876,603	20,225,883	20,567,700
Total income	64,880,900	29,123,149	110,586,783
Miscellaneous deductions from income	4,753,563	4,406,151	4,180,707
Income available for fixed charges	60,127,337	24,716,998	106,406,076
Income after fixed charges	28,519,448	‡‡6,716,189	75,966,381
Other deductions	3,983,499	3,984,904	4,295,012
Net income	24,535,949	‡‡10,701,093	71,671,369
Depreciation (way & structures & equipment)	50,181,644	49,752,858	47,762,795
Federal income taxes	15,102,391	1,279,766	38,070,820
Dividend appropriations:			
On common stock	24,537,760	27,998,337	30,108,721
On preferred stock	1,818,626	8,352,214	1,968,876
Ratio of income to fixed charges	1.90	7.86	3.50
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	$73,296,450	$86,297,500	------
Net purchases	------	------	$15,813,200
U. S. GOVT. STATUTORY DEBT LIMITATION —As of June 30 (000's omitted):			
Total face amount that may be outstanding at any time	$280,000,000	$280,000,000	$278,000,000
Outstanding—			
Total gross public debt	276,343,217	275,652,540	270,527,171
Guaranteed obligations not owned by the Treasury	101,220	96,756	107,137
Total gross public debt and guaranteed obligations	$276,444,438	$275,749,296	$270,634,309
Deduct—other outstanding public debt obligations not subject to debt limitation	430,998	431,923	445,988
Grand total outstanding	$276,013,439	$275,317,373	$270,188,321
Balance face amount of obligations, issuable under above authority	3,986,560	4,682,626	7,811,678
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of June 30	$276,444,438	$275,749,296	$270,634,309
General funds balance	9,749,102	6,129,890	5,589,952
Net debt	$266,695,336	$269,619,406	$265,044,357
Computed annual rate	2.638%	2.658%	2.730%

Continued from page 37

Mutual Funds

to favor equities of companies whose business seemed likely to be resistant to general cyclical influences and to produce favorable opportunities for long-term growth. Consideration also was given to common stocks that seemed to be depressed in relation to longer term prospects and to provide an opportunity for participation in cyclical business recovery."

New holdings added to the portfolio were 50,000 Hooker Chemical Corporation; 16,900 American Chicle Company; and 13,400 Bristol-Myers Company. Holdings increased were Continental Baking Company, by 26,700 shares; Sunbeam Corporation, by 20,800 shares; Winn-Dixie Stores, Inc., by 25,000 shares; United States Pipe & Foundry Company, by 19,400 shares; Boeing Airplane Company, by 17,000 shares; United Aircraft Corporation, by 12,000 shares; Atlantic City Electric Company, by 5,000 shares; Houston Lighting & Power Company, by 1,100 shares and American Stores Company, by 1,000 shares.

Investment positions were eliminated through the sale of 103,000 shares of Outboard Marine Corporation; 25,000 shares of General Dynamics Corporation; 18,000 shares of Colorado Interstate Gas Company; and 7,500 shares of Olin Mathieson Chemical Corporation. Principal decreases in holdings were 36,100 shares of Columbus and Southern Ohio Electric Company, 11,800 shares of National Lead Company, 10,800 shares of Socony Mobil Oil Company, Inc., 4,000 shares of Brooklyn Union Gas Company and 1,500 shares of Schering Corporation.

National Investors Net Asset Value Up

Per share asset value of National Investors Corp., the growth stock fund of the Broad Street Group of mutual funds, increased to $10.07 at June 30, up 16.8% from the $8.62 at the start of the year, it was reported today by Francis R. Randolph, Chairman of the Board and President. The mid-year asset value compared with $9.19 at March 31.

Net assets of the 22-year old mutual fund stood at $73,215,288 at June 30, up $11,281,761 from the $61,933,527 reported a half year earlier.

Mr. Randolph brought out that about 36% of National Investors' 17,337 shareholders are using the fund's Accumulation Plan for building up their holdings by plowing back dividends and distributions into additional shares and making regular or occasional purchases with new funds. Shares worth a total of $17,529,181 were covered by the 6,216 Plan accounts now in use.

New investment positions were established through the purchase of 5,000 shares of Polaroid and the exchange of 15,000 shares of Seaboard Oil for 15,000 shares of Texas Company. Holdings increased were United Aircraft, by 10,000 shares; Hooker Chemical, by 7,000 shares; Oklahoma Gas & Electric, by 6,500 shares; Rohr Aircraft, by 5,200 shares; Dominion Stores, Ltd., by 4,525 shares; American Electric Power, by 4,300 shares; Middle South Utilities, by 2,500 shares, and Atlantic City Electric, by 1,200 shares. The fund's position in General Dynamics was eliminated by the sale of 10,000 shares. Decreases in portfolio holdings were 11,100 shares of Republic Natural Gas and 7,300 shares of National Lead.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ethel M. Calderhead has joined the staff of First California Company, 300 Montgomery Street. Miss Calderhead was formerly with Stephenson, Leydecker & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The jet commercial air age, which is going to create a mighty impact in air travel in this country, is almost here. Before the end of this year Pan American Airways may be spanning the Atlantic Ocean from New York to London in little more than six hours, and American Airlines may have inaugurated its maiden jet flights between New York and Los Angeles in about four hours and 28 minutes.

The scheduled airlines have a committed investment of about $3 billion spread over the next few years. Of this total about $2.5 billion will represent new aircraft. Twenty years ago the most modern transport could be bought for $125,000. The largest commercial airliner in the air today costs about $2.5 million. The largest jet transport will cost more than $6 million.

The paramount question today, as the time for the initial new super speed craft start coming off the airplane factory assembly lines, is: Where is the money coming from to finance this tremendous equipment revolution? The answer is not simple, because $2.5 billion is a lot of money to raise.

Progress Report Issued

The Vice-President of the Air Transport Association of America, Stanley Gewirtz, says the committed sum for new equipment is even more important when it is compared with the present book value of airlines' flight equipment totaling one-half billion dollars. Air Transport Association is a trade organization of the nation's scheduled airlines, and is based in the District of Columbia.

The Senate Committee on Interstate and Foreign Commerce, in a symposium of progress and developments on jet age planning has printed a 100-page report, including a section by Mr. Gewirtz on airline economics in the new age. He is a former lecturer of the University of Utah Law School, and the Harvard University Graduate School of Business Administration.

Reaction of Bankers

In tracing the economics, the ATA official pointed out that the banks are in the business of lending money. Therefore, he said, let's see what their reaction is when the airlines sit down for a talk about borrowing money. He quotes in the Senate Committee document two New York bank officials and two investment authorities.

The first one quoted was James P. Mitchell, Vice-President in charge of Aviation department at Chase Manhattan who said: "A commercial bank considers of much greater importance than collateral the carrier's demonstrated ability to earn the funds necessary to service its obligations. Also the eligible borrower has to compete successfully with industries and companies with more impressive historical records and less future uncertainties."

The First National City Bank's Vice-President in the transportation department, T. Carl Wedel, said among other things that the solution to the airline's problems of financing their jet equipment depends on their ability to increase their equity capital. It is, therefore, a must that the airline industry roll up a strong earning power to finance the transition into the jet age.

Mr. Gewirtz said he went to Albert H. Gordon, senior partner of Kidder, Peabody & Co. for counsel. He quoted Mr. Gordon as saying:

"It is obvious that there is a flight of capital from the airlines. The common stock of the 12 trunklines are now selling at 64% of their book value while in the dark days of the industry —1947—they were selling at 155% of their book value."

Need Equity Capital

The fourth person quoted in the report on financing was Arthur H. Tully, Jr., who is associated with the Harvard Graduate School of Business Administration, but retains a limited partnership in his old investment firm, Hayden, Stone and Co. Said Mr. Tully: "Much as I love aviation, as an investor, I wouldn't touch airline securities with a 10-foot pole. . . . In my opinion the financing of the airline jet should be done through substantial amounts of equity capital. But for common stocks to receive successful subscription there must be a real promise of growth in earning power for the equity . . ."

After citing the expert opinion of the four men, Mr. Gerwitz said in the Senate report that the airlines must increase their earning power or face the fact that attractive financing from the sale of securities or from loans will be all but impossible. Meantime, the airlines have been faced with ever-mounting costs.

National Impact

By the end of next year the airlines have estimated that 30% of all traffic will be flying the jets and by 1961 jets will be the basic aircraft, providing that the new craft can be adequately financed.

The facts are the world will shrink to little more than half its present size in the jet age. Time will be reckoned not in hours, but minutes. Shippers will have their goods moved across the country or across the ocean in half the time. Mail will move faster and more often.

There seems no doubt that the impact of the jets on the economy of this country will be substantial. Thus far more than 255 American-made pure jet aircraft have been ordered by the scheduled airlines. An additional 175 prop-jet or turbo-jet aircraft are being added to the fleet.

The cruising altitude of the planes will be 35,000 feet, topping the high-flying cirrus clouds that range to 30,000 feet. Fuel will amount to 40% of the total weight of the new airliners. Fully loaded at takeoff, some will weigh as much as 150 tons as compared with 78 tons for the larger piston-engine planes now in operation.

The early models will consume about 2,000 gallons of fuel per hour as compared with 400 gallons for the present large piston engine planes.

New Airport Facilities

In the symposium conducted by the Senate Interstate and Foreign Commerce Committee, Marvin Whitlock, Vice-President of American Airlines, points out that the new airliners will necessarily call for a series of changes in airport facilities. These will include new passenger loading facilities, fuel and water storage. Equipment currently used for aviation gasoline cannot be economically adapted.

Mr. Whitlock explained to the Senators that the J-57 type jet will use 750 gallons of demineralized water for each takeoff. The water is necessary to increase the mass flow through the engine to restore some of the thrust loss. Turbine engine thrust suffers more than piston engine horsepower from high temperatures. The water will be necessary when the temperature is above 20 degrees.

Equipment will be needed for demineralizing local water; storage must be in stainless steel, plastic or glass-lined tanks and pipes.

Turbine engine noise problems will arise at the various airports. The plane exhaust velocity will have to be reckoned with. The engine intake also presents a personnel hazard. There are no propellers or visual signal to serve as a warning. The planes will carry about 160 passengers. Some will transport a few more and some less.

Need Airtight Structure

On the question of noise, Mr. Whitlock said the jet sound is not harmful during short or intermittent exposure but is irritating and some would consider it painful. Minimum terminal structure will deflect the sound, but the structure must be airtight. The sound will penetrate through the smallest cracks. Once inside the structure, it will reverberate readily. Therefore, because the structure must be airtight, it must be air-conditioned or mechanically ventilated.

"All passengers and all possible ramp personnel must be enclosed during engine operations," he said, "at a given gate position and blast fences will be required to protect the adjacent gate positions. Personnel required on the ramp during engine operation must be protected by ear muffs or better."

Meanwhile the Civil Aeronautics Board forecast an ever-rising number of air passengers. The CAA says that the airlines, which carried 49 million passengers in 1957, will carry 66 million in 1960, 93 million in 1965 and 118 million by 1970.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" owns views.]

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